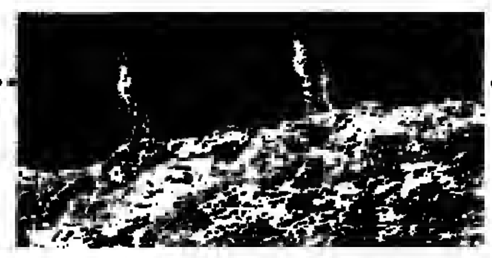
Weekend
FINANCIAL TIMES

Weekend FT

Catering for the hungry flier

SECTION II

On foot in the African bush



The world champion chicken chopper

World Business Newspaper — WEEKEND OCTOBER 21/OCTOBER 22 1995 — D8523A

ALSO INSIDE TODAY'S
Weekend FT

- Jeans go marching on
- Bridge building in the Bosphorus
- Tokyo's crowded 'downtowns'

'Faction' vote by Belgian MPs attacked ■ Call for quick succession

'Angry' Claes quits Nato post with bribery denial

By Caroline Southey in Brussels

Mr Willy Claes resigned yesterday as Nato secretary-general, defiantly proclaiming his innocence against charges of corruption and launching a bitter attack on Belgium's legal system.

Mr Claes's decision to quit followed the Belgian parliament'a vote on Thursday night to lift his immunity from prosecution. He could face charges of corruption, fraud and forgery over a bribery scandal involving the Italian helicopter maker Agusta.

The resignation comes at a critical time for Nato, which has been unable to reach agreement with Russia over the command structure for a multinational peacekeeping force in former Yugoslavia.

Alliance leaders were quick to express thair regret at the resignation and to praise Mr Claes's work. President Bill Clinton said Mr Claes had provided "great leadership" and would be missed at the helm of the alliance. Mr Helmut Kohl, the German chancellor, praised Mr Claes's "committed and successful" work. Mr Kohl urged Nato to replace Mr Claes as quickly as possible although he ruled out nominating a German for the job.

Mr Uffe Ellemann-Jensen, the former Danish foreign minister, immediately announced his willingness to stand, while Mr Hans van den Broek, the EU commissioner for eastern and central Europe, indicated he wonld remain at the commission. Mr Ruud Lnhbers, the former Dutch prime minister, is also a possible candidate.

Nato said no deadline had been set for the appointment of a successor and that Mr Sergio Balanzino, depnty secretary-general, would take charge in the interim.

Mr Claes told a packed press room at Nato beadquarters in Brussels that his resignation was a tragedy "for myself and for my family".

At times raising his voice and banging the table with his fist, Mr Claes said that although he was "an angry man I am not, and do not intend to become, a bitter one despite the injustices with which I have been treated". He intended "to get on with my life and I intend to clear my name". He vehemently denied any knowledge of bribes being paid to the Flemish Socialist party in exchange for the Belgian army's purchase in 1988 of 46 Agusta helicopters. Mr Claes, a member of the party, was Belgium's economy minister at the time.

He bitterly attacked the parliamentary vote against him and accused MPs of voting along party lines. "Each was meant to play the role of judge. But I was faced with factions," he said.

Mr Claes, repeatedly stressing his commitment to the alliance, spoke passionately about Nato's achievements during his 13-month tenure.

He noted that Nato forces had broken the siege of Sarajevo and contrihuted in large part to the moves towards peace in former Yugoslavia. Work on Nato's enlargement to include countries from central and eastern Europe was well advanced and was "essential to the future of Europe", he said.

Perfection preferred for Nato chief, Page 2

Nato secretary-general Willy Claes announcing his resignation yesterday, the day after MPs voted to send him for trial Reuter

Berlusconi in vote move to topple Italian PM

by Robert Graham in Rome

Mr Silvio Berlusconi, the former Italian prime minister, last night formally introduced a motion of no confidence aimed at toppling the government, despite strong pressure from moderates within his right-wing alliance to hold back.

The motion will be debated in the chamber of deputies early next week. Normally three days must elapse between introducing the motion and the no-confidence debate.

The lira weakened against the D-Mark to L1,038 on concern in the financial markets over the potential impact of the crisis on the passage of the 1996 budget through parliament.

Earlier in the day the Berlusconi camp had appeared deeply divided over moves against the eight month-old government headed by Mr Lamberto Dini.

This followed Mr Berlusconi's pledge on Thursday to confront the government in response to the Senate passing a vote of no confidence in Mr Filippo Mancuso, the justice minister. Mr Berlusconi's alliance has strongly defended the minister for his rigorous approach to curbing the power of the magistrature.

The unprecedented vote against Mr Mancuso, combined with his refusal to leave the justice portfolio and his release in a speech tbis week of damaging allegations about Mr Dini and President Oscar Luigi Scalfaro, have created an explosive cocktail.

The prospect of a bitter no-confidence motion bringing down the government led to urgent efforts by the former Christian Democrats in the right-wing alliance to mediate.

But last night the mediation efforts failed as Mr Berlusconi pressed on with his determination to have parliament dissolved and early elections called.

The government is supported

Continued on Page 22

Major may rule out joining Emu before 2002

By Robert Shrimsley in London

Mr John Major, the British prime minister, is close to agreeing to a commitment in the ruling Conservative party's general election manifesto that would rule ont British membership of a single European currency in the lifetime of the next parliament.

The prime minister is heing pushed towards this stand – the one advocated by Mr John Redwood in his failed challenge for tha party leadership – by a number of cabinet colleagues. Mr Norman Blackwell, head of the prime minister's policy unit, is also said to support the idea.

A key figure will be Mr Stephen Dorrell, health secretary and the rising hope of the Tory left.

Mr Dorrell believes it increasingly unlikely that monetary union will become a practical reality in the life of the next parliament – which could run until 2002 – and can therefore see no harm in ruling it out.

Mr Major is hoping that Mr Dorrell's pro-European credentials will reassure the Tory left that such a policy can be supported oo pragmatic grounds.

The health secretary could also play a pivotal role in convincing Mr Kenneth Clarke, the chancellor, who supports mooetary union. Mr Major has resisted ruling out a single currency for fear that Mr Clarke would resign.

However, strategists believe Mr Clarke can be persuaded to agree on the grounds that the UK is now unlikely to have to face sucb a decision by 2002 and that it is the date and not the principle which has been rejected.

One close colleague said Mr Major was still "teetering" on the issue hut that he had "come very close" to floating the policy shift in his speech to party agents at the Tory conference in Blackpool last week.

Party spokesmen said the speech had been tooed down after the death of Lord Home, the former Conservative prime minister. But one minister said that was simply a cover for the fact that Mr Major had got "cold feet" abont announcing the move so far ahead of the next election.

The prime minister's previous pnblic position had been only to rule out joining a single currency in 1997, although at last month's EU summit in Majorca he doubted whether it would be possible for many countries by 1999. During the summer leadership

Continued on Page 22

Titanium producers merge to take 24% of western market

By Paul Cheeseright in Birmingham

The western world's two largest producers of titanium – a tough, expensive metal used in everything from aero-engines to medical equipment and golf clubs – are to merge.

IMI, the Birmingham-based engineering group, said yesterday that it would transfer its titanium operations to Titanium Metals Corporation (Timet), the US producer which is 75 per cent owned by Denver, Colorado-based Tremont Corporation.

The deal will create a company with about 24 per cent of the market in North America and Europe, and combined annual sales of $309.4m.

"This is a merger of two almost-equals," said Dr Frank Lucas, manager of Roskill Consulting, the metals specialist. "It creates the most powerful force in titanium in the world."

The main application of titanium is in aerospace, and particularly engines. Rednctions in defence spending and sluggish performance in the main economies of the west have pushad producers into loss and forced them to cut costs. IMI has not made profits from titanium since 1990.

New alliances in tha titanium industry have been expected as a result of the difficulties of making profits at a time of over-supply.

"All the producers have gone through retrenchment," said Mr Barry Pointon, IMI director in charge of the group's titanium interests. "Wa have been looking for a stronger positioo in the US and a restructuring of the titanium industry."

The main international rivals to the merged Timet-IMI operations will be three US producers, Oremet, RMI and Teledyne.

Bnt their scope to consolidate may be limited. "It depends how far they can go withont getting into anti-trust problems," said Mr Tim Bennett, analyst at Albert E. Sharp, stockbrokers.

The alliance between IMI and Timet comes just as the demand for titanium is beginning to recover. Both producers expect to be at breakeven point or in profit

Continued on Page 22

EU agrees funds for manned space research project

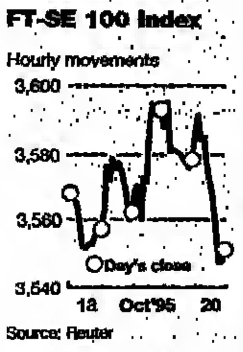
European space ministers yesterday approved a Ecu2.6bn ($3.25bn) funding package to ensure the EU will have a significant role in manned space research into the next century. The money will be spent on projects related to the Alpha permanently manned international space station, due to begin operations in 2002. The station, which will be the largest man-made construction in space, will orbit the earth with six astronants on board. Page 2

Intel, the world's largest semiconductor manufacturer, plans to spend more than $3.1bn over the next two years to expand production in Ireland, Israel and Malaysia. Page 22; Japan to scrap chip market access accord, Page 3

London stocks end 16.2 down on week:

FT-SE 100 Index

Hourly movements



Source: Reuter

The FT-SE 100 ended a week of volatile trading, which saw all the main market indices hit new all-time highs, under pressure. It closed down 27.2 on the session and 16.2 lower on the week. With the continued absence of any of the much rumoured takeover bids again causing many of the market's speculators to lose their enthusiasm, there was plenty of scope for profit-takers to move into the market place. London stocks, Page 19; Editorial Comment, Page 8

Générale des Eaux, the French water, construction and communications group, revealed a sharp fall in profits for the first half of 1995 and warned property losses for the full year could reach between FFr6bn and FFr7bn ($1.41bn). Page 6

US bank reform bill dropped: Hopes for e speedy overhaul of the antiquated laws governing the US banking industry have been dashed after a reform bill was dropped from the House of Representatives calendar at the last moment. Page 3

Yeltsin softens stance on Kozyrev: President Boris Yeltsin appeared to back away from his threat to dismiss Andrei Kozyrev, suggesting Russia's foreign minister needed a good deputy to share his official burdens. Page 3

S Korea to investigate funding scandal: The South Korean government is to investigate allegations that former president Roh Tae-woo controls a secret $500m political slush fund. Page 3

Groupe Bull, the French computer manufacturer, reduced its net losses from FFr2.22bn to FFr874m ($172m) in the first nine months of the year, and said it was maintaining its target of break-even for 1995. Page 6

Student wins record slot-machine jackpot: A history student, who has not been named, won a record slot-machine jackpot of $10.9m at a Las Vegas hotel.

Companies in this issue

Aerostructures	5	Fyffes	6
Allied Irish Banks	6	Générale des Eaux	6
Animex	a	Grosvenor Inns	6
Archer Daniels Mdlnd	6	Groupe Bull	6
Armour Trust	5	IBM UK	6
Ciro	6	IMI	1
Cordiant	5	Intel	22 3
DCC	5	Laporte	5
Daiwa Bank	3	Matsushita	22
Development Secs	6	McDonnell Douglas	3
Dobson Park Inds	5	Metsä-Serla	6
EIS	5	National Grid	5
Eastern Group	5	National Westminster	a
Eurocopy	5	Nouvelles Frontieres	6
Fisons	5	Timet	1

For customer service and other general enquiries call:

Frankfurt
(69) 15685150

STOCK MARKET INDICES

FT-SE 100:	3,551.4	(-27.2)
Yield	3.97	
FT-SE Eurotrack 100	1,380.47	(-19.07)
FT-SE-A All-Share	1,747.78	(-0.5%)
Nikkei	18,157.33	(+201.97)
New York lunchtime		
Dow Jones Ind Ave	4,801.36	(-1.08)
S & P Composite	586.08	(-1.57)

■ **LONDON MONEY**

3-mo Interbank	$6\frac{3}{4}$%	(same)
Liffe long gilt fut:	Dec $105\frac{5}{32}$	(Dec$105\frac{23}{32}$)

■ **US LUNCHTIME RATES**

Federal Funds:	$5\frac{11}{16}$%
3-m Treas Bills: Yld	5.408%
Long Bond	$106\frac{23}{32}$
Yield	6.364%

■ **NORTH SEA OIL (Argus)**

Brent 15-day (Dec)	$15.795	(15.91)

■ **GOLD**

New York Comex Dec	$384.1	(383.8)
London	$382.0	(382.25)

■ **STERLING**

New York lunchtime:		
$	1.5745	
London:		
$	1.576	(1.5715)
DM	2.2081	(2.2223)
FFr	7.7508	(7.798)
SFr	1.7985	(1.8112)
Y	157.687	(158.172)
£ Index	83.6	(83.9)

■ **DOLLAR**

New York lunchtime:		
DM	1.397	
FFr	4.9125	
SFr	1.14075	
Y	100.20	
London:		
DM	1.3979	(1.4141)
FFr	4.912	(4.9622)
SFr	1.1412	(1.1525)
Y	100.065	(100.65)
$ Index	92.4	(92.6)
Tokyo close Y 100.60		

CONTENTS

Austria Sch35; Bahrain Din1.250; Bermuda $2.00; Belgium BFr70; Canada C$1.75; China RMB28.50; Cyprus C£1.10; Czech Rep Kc55; Denmark DKr17.00; Egypt E£5.00; Estonia EKr 20.00; Finland Fmk15; France FFr11.00; Germany DM3.80; Greece Dr400; Hong Kong HK$20; Hungary Ft215; Iceland IKR220; India Rup75; Indonesia Rp4,050; Israel NS7.90; Italy L2000; Japan Y500; Jordan JD1.50; Korea Won 3000; Kuwait Fils.625; Lebanon $US1.50; Luxembourg LFr70; Malaysia Rin4.50; Malta Lm0.80; Morocco Dh15.00; Nigeria Naira90.00; Netherlands Fl4.25; Norway NKr18.00; Oman OR1.50; Pakistan Rs40; Philippines Pso 50; Poland Zl 4.20; Portugal (m'land) Esc230; Qatar QR13.00; S.Arabia Rls11.00; Singapore S$4.30; Slovak Rep Sk50; South Africa R12.00; Spain Pta250; Sri Lanka Rup90; Sweden SKr17.00; Switzerland SFr3.80; Taiwan NT$85; Thailand Bht50; Tunisia Din1.800; Turkey L80,000; UAE Dh12.00; USA $1.50

 No 32,812 Week No 42 LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · LOS ANGELES · TOKYO

Ecu2.6bn budget ensures role for Europe into next century

EU approves manned space research cash

By Andrew Jack in Paris and Michael Skapinker in London

European space ministers yesterday approved a funding package to ensure the EU will have a significant role in manned space research into the next century.

Ministers decided on an Ecu2.6bn ($3.3bn) budget running up to the year 2006 in projects related to the Alpha permanently manned international space station, due to begin operations in 2002.

The station, which will be the largest man-made construction in space, will orbit the earth with six astronauts on board. Europe will contribute the Columbus laboratory, a research module where astronauts will carry out experiments. It will also build the Automated Transfer Vehicle, which will carry cargo to the space station.

The EU Columbus module – one of 10 which will make up the space station – is designed to carry out a range of scientific experiments in fields including observation of Earth, metallurgy and physiology.

The space station is designed to operate over 20 years, and will be built in co-operation with the US, Canada, Japan and Russia. The EU contribution reflects about 10 per cent of the development budget.

Yesterday's decision – at the conclusion of a European Space Agency meeting in Toulouse – endorsed revised proposals submitted by the agency after a more ambitious Ecu3.5bn plan at the start of this year was rejected because of budgetary constraints and objections from a number of countries.

"We are in orbit and have solved our financial problems," an ESA official said yesterday. "It would have been shameful if we had not been able to participate in the spirit of international co-operation by contributing to the space station. This is a very satisfactory programme which leaves oothing out."

European space officials had warned earlier this year that Europe ran the danger of being excluded from the project unless ministers made a funding commitment at this week's meeting. Officials said the US, Canada, Russia and Japan, which were already involved in the project, had begun assembling equipment.

Under the new proposals the agency will proceed with its plans to build the Columbus facility, as well as the transfer vehicle and the Ariane-5 space launcher. However, to bring about the oecessary budget reductions tbe ministers approved the ESA's revised plans to scale back considerably its commitment to the idea of a crew transport vehicle that would have brought European scientists op to the space laboratory.

Instead, Europeans will travel from Earth on board either the US space sbuttle or the Soyuz space vehicle being managed by the former Soviet Union.

However, some feasibility studies are still continuing and ministers will make a final decision in 1997 on whether to proceed with the crew transport vehicle.

As part of the ministerial compromise, a number of changes were agreed to tbe share of the budget between member states.

It is believed Germany will pay 41 per cent of the development costs of the EU's contribution to the space station, France 27 per cent and the Italians 19 per cent. Mr François Fillon, French minister for information technology, welcomed the agreement yesterday. "This is a landmark for the European space industry," be said. "It is again unified and its future restored."

Paris calls for ideas on education reform

By Andrew Jack in Paris

The French government has launched a wide-ranging consultation on the future of the country's higher education system, in the first step towards the reforms pledged by President Jacques Chirac during his election campaign last spring.

Mr François Bayrou, education minister, called for students and teachers to suggest reforms on subjects ranging from the funding of the edocation system to the structure of the university curriculum.

The ideas brought forward may eventually be used in a national referendum on education issues promised by Mr Chirac during his election.

Critics have questioned whether education policy can sensibly be discussed and approved in a referendum, but the government appears set on pursuing it.

A commission headed by Mr Roger Fauroux, a businessman and former civil servant, on the logistics of the referendum is set to report by next summer. It is considering three topics for reform: the structure of school teaching, integration of students into the workforce, and higher education.

Speaking at the inauguration of a science and technology unit at the university of Cergy-Pontoise north of Paris this week, Mr Bayrou called a "wide-ranging general reflection" on subjects ranging from the structure of

> Students and teachers have a tradition of taking to the streets

loans, grants and housing aid for students, to possible changes to the first stages of university education, during which the drop-out and failure rate is very high.

His call for dialogue with students and teachers reflects the French government's emphasis on consultation in a number of areas including that of inner city policy.

Reform of the education system is an extremely sensitive subject in France, where students and teachers have had a tradition of taking to the streets in opposition to change since the troubles of 1968.

Early last year the government of Mr Edouard Balladur withdrew edncation reforms in the face of mass protests, mainly in Paris. A few months later, the education minister dissociated himself from a consultative document he had commissioned on university reform after students and teachers once again took to the streets.

But criticism of the education system has intensified, particularly now that the unemployment rate is far higher than in other European countries, even during a period of economic growth.

In an article on Thursday in Le Monde, the daily newspaper, several academics argued that "educational failure is eating into our society like cancer". They called for widespread reforms to make the system less elitist and said the structure of timetables was "absurd" because it failed to meet the needs of most students.

Scharping head on the block in Berlin poll

By Judy Dempsey in Berlin

Berliners go to the polls tomorrow in an election vital to the future of Mr Rudolf Scharping, leader of the opposition Social Democratic party (SPD).

Backing for the SPD in Berlin has fallen from 30 per ceot to 25-27 per cent over the past month, as traditional supporters blame Mr Scharping for poor leadership and failure to end party infighting. Tomorrow's poll is the last big electoral test for the SPD leader before his party's conference in Mannheim oext month.

A collapse of the SPD vote in Berlin – where it is currently junior partner in a grand coalition with tbe Christian Democrats (CDU) – could galvanise Mr Scharping's opponents, who are calling for his resignation.

But yesterday he remained defiant, telling German radio he would still be leading the party after the election.

Liberal Free Democratic party (FDP) supporters also face a tough test. A poor result would damage Chancellor Helmut Kohl's junior national coalition partner, which has lost 11 state elections over the past two years.

Opinion polls suggest the FDP's support will fall well short of the 5 per cent required to enter the city's Senate. It polled 7.1 per cent in 1990, but has since been weakened by an internal split.

The crisis in both parties has played into the hands of the CDU. It is mopping up the liberal vote, while the divisions within the SPD and an anti-Communist campaign are driving traditional SPD voters to both the CDU and the Greens.

Ms Ingrid Stahmer, senator for social affairs and the SPD's principal candidate, has admitted that infighting in the oational leadership has damaged ber chances of bolding on to the 30 per cent of votes secured by the party in 1990.

"We are not getting our policies across. The morale in the party is low because of all the bickering in the top leadership," she said.

Latest opinion polls give the CDU a few percentage points above the 40 per cent it polled in 1990, indicating that another grand coalition is on the cards.

As the SPD wants to bold on to votes in west Berlin, where anti-Communist sentiment is still strong, it is prevented from openly supporting a red/green coalition. Nor can it openly support continuation of the grand coalition with the CDU for fear of losing the left vote, especially in the east and Kreuzberg, once the radical beart of west Berlin.

"No matter what we do, we are caught," said Ms Stahmer.

Mr Andre Brie, campaign manager for the Party of Democratic Socialism (PDS), snccessor to the former East German Communist party, is confident the party will become the third largest in the Senate. He sees the party increasing its share of the vote from an overall 9.2 per cent in 1990 to 14 per cent, with 30 per cent of support coming from east Berlin.

● About 35 per cent of German students would vote for the environmentalist Green party, according to a wide-ranging poll in Die Zeit, the liberal German weekly newspaper, Michael Lindemann adds.

Student support for the SPD has fallen to 18 per cent from 37 per cent in 1979, the last time the poll was taken. About 19 per cent would back the CDU, up from 13 per cent in the last poll, according to the 1,019 students questioned.

Rudolf Scharping: big electoral test before party's conference

European cities of culture set to multiply

By Emma Tucker in Madrid

So many cities want to be Europe's Millennium City of Culture that EU culture ministers have decided not to pick a winner. Instead of one such city for the year 2000, there will be several.

"We have agreed the principle of many cultural capitals, rather than just one," said Ms Carmen Alborch, the Spanish culture minister, yesterday after securing agreement from her colleagues at a meeting in Madrid.

This means that eight contenders which have already expressed an interest have high hopes of being picked. They may yet be joined by others, as the deadline for suggestions closes on November 20. It is not even necessary to be in an EU country to qualify – Prague is one of the eight. The others are Santiago de Compostela, Bergen, Reykjavik, Brussels, Helsinki, Bologna and Avignon.

The title was created in 1983 when the EU agreed that one city would act as a focus for the promotion of European cultural activities each year. One Commission official said yesterday that to have a number of cities of culture would undermine the whole concept.

The Spanish solution would avoid disappointment for Bologna, Avignon and Prague, which all declared themselves winners of the 2000 title after disappointment at a bitter meeting in 1993 when they lost out on the years 1998 and 1999.

"It gets us out of a tricky position with Avignon, Bologna and Prague and allows Spain to stick its own candidate on the list," said one relieved official.

There is still debate on how to make the final selection. Some favour a list that gives full weight to the points of the compass. "Some in the south, some in the north, some in the west and some in the east," said a Commission official.

Another suggested method is that "theme" cities represent the different eras of Europe's rich history.

Only one area was not touched on yesterday: the delicate issue of financing. Each European capital costs the Commission Ecu300,000 ($381,000) for one year but officials were reluctant to elaborate on how as many as 10 capitals might be funded.

Luxembourg is this year's holder of the title. Next year the honour goes to Copenhagen, with Salonika, Stockholm and Weimar following in the countdown to 2000.

Once the issue for the year 2000 has been decided, the task of wbo gets 2001 will have to be addressed. "That will be a problem for the Italian presidency," sighed a Spanish official.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297 0621, Fax (01) 4297 0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

Perfection preferred for Nato chief

Bruce Clark on the special characteristics demanded of a new secretary-general

The perfect secretary-general of Nato probably does not exist. If such a mixture of talents did come together in a single person, he or she would probably be deployed in some more lucrative or glamorous position.

In an ideal world, the holder of Nato's top political post should be a master bureaucrat, a generator of new ideas, a mediator of disputes, and a convincing advocate of the military alliance.

"It's a very important job," said Gen William Odom, a former US national security director. "It has to be a sort of pulpit for expressing Nato's purpose and collective consciousness."

The job traditionally goes to a European, but he must be a convinced Atlanticist. This criterion is amply fulfilled by the two main candidates to sncceed Mr Willy Claes: Mr Uffe Ellemann-Jensen, the former Danish foreign minister, and Mr Ruud Lubbers, the former Dutch prime minister.

Mr Hans van den Broek, a Dutch European commissioner seen by some as a possible successor to Mr Claes, said yesterday he was not a candidate.

If any surprise candidates come along, they too will need to be devout believers in the transatlantic tie.

Apart from having Washington's imprimatur, the secretary-general sbould not be actively opposed by any European ally.

Here, the calculations are harder. Mr Ellemann-Jensen bas raised French eyebrows because of Denmark's opposition to nuclear tests, while Mr Lubbers has poor personal chemistry witb Germany's Chancellor Helmut Kohl.

In cold war times, the secretary-general often had to nurse any "weaker brethren" among the nations of western Europe into line with the policies of the US. More recently, the need has been for a transmission belt in the other direction: a leader who can convey the viewpoint of western Europe to the US, where isolationist sentiment is growing.

While the political left in Europe has sometimes accused Washington of foisting hawkish policies on its allies, there is a suspicion in Washington – especially on the political right – thet west Europeans get a free ride on the coat-tails of the US defence budget. Both concerns need to be parried if Nato is to survive.

An effective secretary-general should be able to nip unnecessary squabbles in the bud, leaving plenty of energy to spare for important issues, such as the future of Nato's military structure or accession of new members.

Apart from finessing differences within the alliance, the holder of the job should present a convincing face to non-Nato countries.

> The job has to be a pulpit for expressing Nato's purpose

Sir Michael Alexander, a former UK ambassador to Nato, believes the worst effect of the Belgian scandal which brought Mr Claes down was to sap the alliance's credibility in the eyes of third countries.

"The secretary-general has three main roles: to administer the machinery, to initiate ideas, and to act as the face and voice of the alliance," Sir Michael said. "He fulfilled the first two but the third was made more difficult by the ongoing drama."

The weakness of Mr Claes has not been all bad for the US, whose leading role within the alliance has been reasserted within the last few months following the effective US takeover of western policy in Bosnia.

"To the degree that the secretary-general is not very strong, American dominance is easier," said Mr Dan Nelson, a US expert on European security. This may explain why Mr Claes has recently received far more support from Washington than from any other Nato capital.

From Washington's viewpoint, a secretary-general who loyally reflects American concerns – and the concerns of the US officers who run Nato's military structure – may have been the right formula at a time when the US was jolting the alliance out of a period of ineffectiveness.

The efficiency of the Nato military machine, which mounted a bombing campaign against the Serbs in September, appears to have been undiminished by the ferment in its political structure.

But the need for a strong secretary-general will come to the fore again in a few weeks, if and when the alliance starts to implement its plan to deploy up to 60,000 troops as a peace implementation force (IFOR) in Bosnia.

The alliance is still searching for a formula to incorporate Russian troops in the force, as well as troops from the central European states which hope to join Nato.

Key questions over Russia's role may be decided bilaterally at Monday's US-Russian summit in New York. But two-sided deals will not be enough to resolve the squabbles that are bound to arise during the deployment of IFOR.

Settling these disputes will require a go-between who can plead Europe's case to the US or vice-versa. It remains to be seen whether any of the candidates can perform this feat.

As foreign minister from 1982 to 1993, Mr Ellemann-Jensen is a veteran of the horse-trading politics of the European Union, whose members have refined the art of haggling furiously in the knowledge that some compromise will eventually be found.

As Dutch prime minister, Mr Lubbers observed the European scene from a loftier plane. But Mr Carl Bildt, the ex-Swedish prime minister and EU mediator on Bosnia, has found that success in western Europe cannot always be matched in the more deadly and ruthless world of the Balkans.

EU push for TV quota consensus

By Emma Tucker

The first flicker of a breakthrough on whether to impose EU-wide quotas for locally-made television programming was apparent at a meeting of culture ministers in Madrid yesterday.

The pro-quota French and the anti-quota Germans and British mada emollient approaches to each other in unofficial discussions as ministers worked to break a deadlock on proposed revisions to EU-wide broadcasting rules.

"There is a genuine wish to reach a consensus," said Ms Carmen Alborch, Spain's culture minister. "This is exceedingly positive."

The issue of television quotas has divided EU member states for more than a year, since the Commission put forward proposals for revising the 1989 Television without Frontiers law introduced to ensure that television broadcasts could circulate freely inside the EU.

The draft Commission revision removed a loophole that allowed broadcasters to avoid a requirement that 51 per cent of their outpnt be devoted to European-made works. Its removal infuriated the Germans and British who are against the idea of mandatory quotas. They were joined by the Netherlands and the Nordic countries.

The proposal was enthusiastically supported by the French, who have the strictest quota system of any EU country in a bid to protect their culture from US influences.

Because so many countries had national quota systems, the Commission believed it was necessary to harmonise quotas at an EU level to be certain that one country could not block channels broadcast from another nation on the grounds that they contained too many US-made soap-operas, films and talk-shows.

The most likely compromise around which discussions circulated yesterday is simply to keep the 1989 law. Although it is legally shaky – thanks to the loophole on quotas – it appears to be the only system with which all member states can live.

The modest progress being made by ministers could be overturned by the European parliament which takes a more militant view on culture quotas. Parliament has the right to amend the Commission's proposal and is likely to side with France in proposing tighter quotas to preserve European culture from cheaply made Hollywood products.

Indonesia signs deals to double telephone capacity

By Manuela Saragosa in Jakarta

Telkom, the Indonesian domestic telecoms group due to be partially floated next month, has finalised and signed contracts with private sector groups to build and manage new telephone lines in various parts of Indonesia.

The contracts are important because they guarantee Telkom will receive significant revenues over the next few years.

Five private sector consortia, which inclnde Australia's Telstra, France Telecom, US West, Telekom Malaysia and Japan's NTT, had signed memoranda of nnderstanding witb tbe Indonesian government in Jnne to build 2m new telepbone lines and manage them for the next 15 years, effectively doubling Telkom's capacity.

Tha signing allayed the companies' fears thet time was running ont just weeks ahead of Telkom's initial pnblic offering in New York, London and Indonesia, whlcb is expected to raise between \$2.5bn and \$3.1bn.

Some industry executives had complained privately that tbe deals were beavily weighted against the foreign companies and their local partners, making some concessions barely profitable. But both sides appear to have reached a compromise on such details as transfer of assets and tax.

Addressing the private regional operators at the signing ceremony yesterday Mr Joop Ave, the minister for post, tourism and telecommunications, said; "Yon have just signed what we know are the first of their kind in Indonesia, perhaps in the world."

The contracts guarantee Telkom minimum revenues of Rp1,458.6bn (\$670m) in 1996 and "will account for a significant proportion of Telkom's operating revennes" in the few years after that, according to Telkom's "red herring" prospectus.

Under the contracts, private regional operators will be allowed to seek offshore financing for the projects and are obllged to take on employees from Telkom, which is trimming its number of employees.

On January 1 1996, Telkom is required to transfer operations in the assigned areas to the private regional operators.

Clash betweeen bankers and insurers sinks overhaul of Glass Steagall Act

Setback for US bank law reform

By George Graham in Washington

Hopes for a speedy overhaul of the antiquated laws that govern the US banking industry have been dssbed once again.

A bill to repeal the Glass-Steagall Act, a 1933 law barring banks from the securities business, was due to be debated by the House of Representatives next week, but has been dropped from the calendar after a last minute row over its contents.

The bill was supposed to eliminate the artificial barrier between commercial and investment banking, but it ended up being opposed by the very banks it was supposed to benefit.

Bankers objected to provisions, inserted at the insistence of the powerful insurance agents' lobby, that would have restricted banks' ability to sell insurance products, as well as to a levy intended to bolster the savings and loan deposit insurance fund.

"We simply must oppose the curreot proposal because of the insurance provision," said Mr James Culberson, president of the American Bankers Association, in a letter formally announcing his association's position to Congressman Jim Leach, chairman of the House banking committee.

But it was a dispute over rulea for municipal bond underwriting between the banking committee and the commerce committee, which claims jurisdiction over the securities industry, wbich dealt the latest blow to the banking reform bill.

Even if a banking reform bill does pass the House – which now seems unlikely before next year at the earliest – it faces significant obstacles in the Senate, where Senator Alpbonse D'Amato, chairman of that body's banking committee, is an ally of the securities industry.

"Whatever happens in the House, the Senate is still to come, and people need to realise that that is going to be tough," said Mr Randal Quarles, a lawyer with Davis, Polk & Wardwell who served at the Treasury in the Bush administration.

Many banks have now concluded that they can get the changes they need without a new law. The Supreme Court is due to decide a case brought by Barnett Banks against the Florida insurance commissioner which could give banks more freedom in the insurance field.

The Federal Reserve may also expand a loophole allowing banks to do some securities business in separate subsidiaries.

These securities affiliates are currently allowed to earn no more than 10 per cent of their revenues from activities forbidden by Glass-Steagall, but an increase to 25 per cent or even 15 per cent would in practice allow most banks to do as much securities business as they like.

Japan to scrap chip market access accord

By William Dawkins in Tokyo

Japan plans to end its controversial semiconductor trade accord with the US, under which foreign chip makers have, for nine years, been reserved a 20 per cent share of the Japanese market.

Officials of the Ministry of International Trade and Industry said they had no intention of extending the accord wben it comes up for renewal next July.

Any attempt to end the chip pact is likely to arouse opposition from US microchip producers, which value it greatly, said Mr Roger Mathus, director of the US Semiconductor Industry Association in Japan.

It is not hard to see why US companies appreciate the pact. The foreign share of Japan's semicondnctor market bas risen from 8.4 per cent, when the deal was signed in 1986, to 22.4 per cent last year. By the three months to June, foreign sales had exceeded one fifth of the Japanese market for seven quarters running. Japanese companies bought \$42bn worth of semiconductors last year, just over a third of the \$140bn (£90bn) world market.

Even after that increase in market share, foreign semiconductors still meet unwarranted resistance in Japan, said Mr Malthus. "There is a tendency to favour a local product even if it is not the best product," be maintained. SIA directors would discuss a response wben they meet oext month. A US diplomat believed that US semiconductor prodocers might be flexible on the figure in s revised deal, but wanted to keep a written Jspanese promise of market access.

European semicoodoctor companies, by contrast, may welcome an end to the accord. They have always criticised it as an unfair plan by the world's two largest chip making nations to carve up the Japanese market, despite the fact that it is formally open to all foreign producers. Electronic equipment producers had also opposed the deal, saying it pushed up chip prices.

A Miti official said world semiconductor demand was growing so fast – by 35 per cent in the first half of this year, secording to industry statistics – and international semiconductor companies had become so inter-dependent, as shown by this week's announcement of co-operation among four of the world's biggest producers, that the secord was no longer needed.

"The objective of the agreement has been reached," be said.

The chip pact bas always been unwelcome to the Japanese government. Japanese officials complain that the US side interpreted it as a firm guarantee, rather than just an intention, to grant foreigners a fifth of the Japanese market.

In addition, Miti disliked the semiconductor secord as s bad precedent, opening Japan to pressure to grant import targets in other sectors. It may have tempted the US to seek import targets for cars and car parts, which Mr Hashimoto refused, after bitter negotiations last summer.

Rob Tae-woo: '\$500m slush fund'

Accused businessmen and bankers go into hiding

Political funding scandal erupts in South Korea

By John Burton in Seoul

The South Korean government yesterday said it would investigate allegations that former President Roh Tae-woo controls a secret \$500m (£322m) political slush fund.

The inquiry threatens to split the ruling Democratic Liberal party by alienating conservative MPs allied with Mr Roh, a former general who was the elected president between 1987 and 1992.

The government is already in danger of losing its slim 16-seat parliamentary majority as conservative MPs defect to the United Liberal Democrats, a new right-wing party.

In addition, an investigation could implicate some of Korea's leading conglomerates, which were forced to make political donations to the previous government in return for business favours.

The government was forced to laimch the inquiry after an opposition MP on Thursday provided evidence that Mr Roh had allegedly bidden the political funds in 40 bank accounts using borrowed names.

Some of the businessmen and bank officials named in connection with the scandal have gone into hiding in the last 24 bours.

Word of the political slush funds first surfaced this summer when a close aide to President Kim Young-sam told journalists about their existence.

Analysts believa the aide leaked the information to damage the reputation of Mr Kim's conservative opponents within the ruling party. Most of them supported previous military-backed governments.

But when the affair threatened to damage the president by causing a party split, s preliminary investigation into the allegations was quickly ended and the aide was sacked for making "baseless" statements.

President Kim is now under pnblic pressure to conduct a more thorough investigation if he wants to maintain his repntation as a vigorons campaigner against corruption.

Securities analysts predict the stock market could be adversely affected by the probe. "Because nearly every company has beot the rules, there is no telling what the investigators will unearth," said Mr Eugens Yun, chief economist at Schroders Securities in Seoul.

Investor attention will be paid to Sunkyong, one of the Korea's largest conglomerates, because Mr Roh's daughter is married to the son of the Sunkyong chairman, and the Dongbang group, whose chairman is also related to Mr Roh through marriage. Both groups sppeared to hsve been favoured during the Roh administration.

Cover-up claims put Daiwa managers in dock

If allegations are true, top bankers may face prosecution while disgraced bank may lose its US licence

If Daiwa Bank's senior management had been hoping that Mr Toshihide Iguchi's decision to plead guilty in a Manhattan courtroom to charges of fraud would mark the end of their long nightmare, they were quickly disabused on Thursday night.

In entering his guilty plea the former bond trader gave a long statement that contained the most damning allegations yet against the bank and its senior managers.

The statement claimed that Daiwa's management colluded with the trader after he had notified them of \$1.1bn (£700m) of losses from US treasury bond-dealing, in an attempt to hide these losses from US regulatory authorities.

Daiwa's reaction yesterday was to deny the allegations of a cover-up, although it was, it said, continuing with its own investigation. Bnt in rebutting the charges, the bank failed to dispel suspicions that top officials had been involved in some way with the disposal of the losses.

If the allegations turn out to be true, the repercussions would be extensive. The possibility that the top management of a leading Japanese bank actively concealed vital information from the highest regulatory authorities in the US would be deeply damaging for confidence in the banking system.

The bank itself could face draconian punishment both in the US and Japan, including withdrawal of its US banking licence. There is also the intriguing possibility that the bank's senior Japaness management could face prosecution in a US courtroom.

Daiwa's bead office in Osaka admitted the moment the losses were revealed at the end of September that it had first been told about them on July 24 in a letter from Mr Iguchi. It is already under fire from regulators in the US and Japan for failing to report the losses to the US authorities throughout that eight-week period. But it has always maintained that the reason for the delay was the need to conduct a detailed investigation into the circumstances surrounding the losses.

Mr Iguchi's story is rather different. He had built up the losses over an 11-year period of uniquely disastrous trading. To cover them he had sold securities, forging statements so that they purported to show the bank still held the securities.

On Thursday he claimed that, after July 24, a member of the bank's senior management told him to continne to bide the losses. Management, he said, filed a false report with the Federal Reserve Board on July 31 that it still held \$600m in Treasury bills that Mr Iguchi had in fact sold.

At the direction of senior management, he said, be then sold other securities to cover interest payments on the securities he had previously disposed of. In the process he continued to falsify the bank's records, also with the management's approval.

The deception continued until September. "On three occasions I sold securities with the knowledge of the management to pay interest, and I produced two fictitious safekeeping statements, also with the knowledge of the senior management," he said.

Daiwa's version of events seems to bs that their involvement in the process was part of an elaborate counter-subterfuge.

Daiwa yesterday acknowledged that the bank had authorised Mr Iguchi to continue selling securities bnt that the sales were mads not to conceal the loss but to continue to pay interest due to customers. The bank said it was anxious to enlist Mr Iguchi's co-operation in its own inquiries and, to prevent him from fleeing, it agreed to go along with the securities sales.

At best, this account suggests the bank was in no obvious hurry to resolve and disclose the matter expeditiously as it was required to under US laws. Indeed, Mr Iguchi also claimed that the bank said it had a plan to disclose the losses "some time in November".

Mr Iguchi also owned up, for the first time, to embezzling money himself – \$500,000 which he had used to purchase real estate. He also said he had two conspirators at the New York branch during the period he made the losses.

The Japanese finance ministry's response yesterday was terse. It said thet, if they were true, the allegations were "regrettable". Its officials may have particular reason to regret them.

They are under heavy criticism for failing to pass on what they knew about the discovery of the losses more quickly. They were toid by Daiwa's management abont the problems on August 8, but it was only six weeks later thst tbey passed on the information to US anthorities.

Gerard Baker

INTERNATIONAL NEWS DIGEST

Yeltsin may not dismiss Kozyrev

President Boris Yeltsin yesterday appeared to back away from his threat to dismiss Mr Andrel Kozyrev, suggesting that Russia's foreign minister perhaps needed only a good deputy to share his official burdens.

"What is it that Kozyrev is lacking? He needs a good person – because he is travelling all the time – who can look after the administrative affairs of the ministry," Mr Yeltsin said before departing on e trip to France and the US.

Mr Yeltsin's apparent volte-face – on Thursday be said Mr Kozyrev had proved incapable of co-ordinating all of Russia's foreign policy interests and would be replaced – is a further sign of the erratic nature of his administration.

Observers in Moscow suggested his criticisms of the foreign minister were an attempt to appease nationalist critics ahead of December's elections. *John Thornhill, Moscow*

\$1bn McDonnell Douglas sale

McDonnell Douglas of the US has ended the search for a launch customer for its MD-95 aircraft by announcing that ValuJet, a cut-price carrier, has agreed to buy 50.

The order comes as s relief to the US company, which has repeatedly stressed its determination to remain a maker of civil aircraft. It is also a boost for BMW Rolls-Royce, a joint venture between the German and UK companies, whicb will make the angines for all MD-95s.

The \$1bn order comes after McDonnell Douglas failed to persuade Scandinavian Airlines System to buy the 100-seat twin-jet aircraft. SAS, a long-time McDonnell Douglas customer, opted instead to buy 35 Boeing 737-600s, with options on 35 more. ValuJet has taken options on a further 50 MD-95s. *Michael Skapinker, Aerospace Correspondent*

Japan and UK in insurance pact

The Japanese and British governments have agreed to co-operate in providing trade insurance for each other's exports, to promote joint contracts in third countries.

Britain is the second country after France to win Miti's co-operation, in a deal signed by Mr Brian Willot, chief executive of the Export Credit Guarantee Department, and Mr Hiromnchi Aoki, his counterpart at Miti's export insurance division.

Under the accord, Miti can support a bid, involving a Japanese company, in which the British content is np to 70 per cent, while the ECGD will insure joint contracts with up to 30 per cent Japanese content.

This comes in response to the growing number of joint UK-Japanese contracts in developing countries.

In another expansion of trade policy, Japan has lifted a three-year ban on export credit insurance to Russia and given its blessing to a \$700m sale of oil pipes and pumps, officials announced yesterday. The insurance, for Mitsui, is the largest ever granted by Miti's export unit for a project in Russia. *William Dawkins, Tokyo*

Clinton to visit Tokyo

The US and Japan will seek to patch up tense relations next month when US President Bill Clinton makes his first official visit to Tokyo for two years.

Mr Clinton will be in Japan from November 17 to 21, starting in Osaka with the summit of the 18 leaders of the Asia Pacific Economic Co-operation forum, chaired this year by Mr Tomiichi Murayama, the Japanese prime minister.

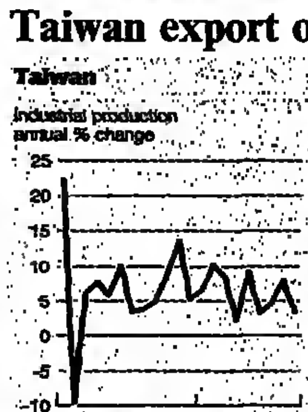
The pair will hold bilateral talks in Tokyo the day after the summit, on November 20. They are expected to reaffirm the US-Japan security alliance, under criticism in Japan following the alleged rape of a schoolgirl by three US servicemen near a base in Okinawa. *William Dawkins*

Green light on toll road

Melbourne's US\$1.7bn City Link toll-road project was finally set to go ahead last night, after 10 days of intense negotiations between the Victorian state government and the banks which are helping to to fund the project.

City Link, which will link and expand a number of freeways in and around Melbourne, is thought to be Australia's largest infrastructure project since the Snowy Mountains hydro-electric scheme in the 1950s. The state government had already awarded the contract to the Transurban consortium, wbose main partners were Australia's Transfield group and Oyabashi of Japan, but its future was in doubt two weeks ago, when the consortium's banking backers objected to the risks they were being asked to assume. *Nikki Tait, Sydney*

Taiwan export orders rising



Taiwan's export orders grew by double digits for the 13th successive month in September. Orders grew 16.39 per cent year-on-year to a total of \$9.8bn for the month. However, they were down 2.7 per cent from August's total of \$10.1bn.

Growth was fastest in exports to Japan, with a 28.8 per cent increase from a year earlier belped by the strong yen, but the US was still Taiwan's largest single export market: orders grew 17.8 per cent to \$3.1bn. Asian countries accounted for 48.3 per cent of all orders.

The electronics and telecommunications sectors showed the most rapid increases. Orders for electronic prodncts grew 33.1 per cent from the previous year to \$1.53bn, and those for telecommunications equipment were up 27.2 per cent st \$1.35bn. Textile orders were also strong, up 20.2 per cent, and basic metal and metal product orders grew 30 per cent. Machinery orders fell 2 per cent to \$586m.

Taiwan's industrial output in September grew 3.35 per cent from a year earlier, after rising 7.95 per cent year-on-year in August. The manufacturing index rose 3.47 per cent, but real estate and construction were down 10.66 per cent from the previous year. *Bethan Hutton, Taipei*

Arts to lobby over use of lottery funds

By James Blitz, Lobby Correspondent

The Arts Council – the body which administers Britain's arts funding – plans to ask the government to ease the restrictions on the way it uses receipts from the National Lottery, amid growing expectations that its funding faces a tight aqueeze in this year's Budget.

Although the government continues to insist that lottery money cannot be used to replace grants, the Treasury has put pressure on the Department of National Heritage – which funds arts and sports bodies now receiving money from the lottery – to cut its budget.

The Arts Council confirmed yesterday that a "preliminary decision" had been made last week to seek a widening of its discretion over tbe use of lottery receipts so they could be spent on projects deemed to be outside existing guidelines. But it insisted this would not mean lottery money could be used to replace its existing allocation from the government.

Senior figures in the arts world have expressed concern, however, tbat the decision amounted to an acceptance that the council will have to use lottery funds to compensate for a tight squeeze on arts spending which Mr Kenneth Clarke, the chancellor, is expected to impose in next month's Budget.

One said yesterday: "What the council is doing indicates a desire to allow new projects to go ahead which would otherwise founder for want of revenue funding through the parliamentary vote. But the policy has dangers. For each exception they find, other potential heneficiaries nnder their umbrella will scream that they want more."

Under guidelines set out by both the government and the Arts Council, the £181.6m ($286.9m) of lottery money which it has received so far can only be used on capital projects such as buildings, design and refurbishment.

However, an exception to this rule was allowed hy the government earlier this year when the council was allowed to spend some lottery receipts on film production.

The Council said yesterday one specific proposal was that lottery money might he used to help record classical music and jazz that was considered not commercially viable.

Final decisions on the spending allocation for each department were being taken yesterday by Mr Clarke and Treasury ministers. The exact size of each department's spending allocation will be finalised at a full meeting of cabinet at the start of next month. But officials at the Department of National Heritage confirmed that its budget allocation for the next three years was under particularly strong pressure.

Investment boost for private finance scheme

By Andrew Taylor, Construction Correspondent

One of Britain's largest pension schemes is supporting plans to launch a £100m ($158m) private equity fund to invest in projects identified under the government's private finance initiative.

Hermes Investment Management, whicb manages Britain's post and telecoms pension funds, has agreed to invest a substantial sum as well as to sponsor the Innisfree PFI Fund.

The emergence of the first equity fund dedicated to investing in PFI projects would provide an important confidence boost for the government's policy of shifting the financing and management of state-funded investment to the private sector.

Privately financed infrastructure projects have previously been funded on a piecemeal basis with promoters and operators mostly investing small amounts of their own money in equity and raising the bulk of the finance from debt.

Equity funds would provide an additional source of finance as well as an alternative for smaller promoters and operators which lack the balance sheet strength to invest in their own right.

The scale of the PFI programme means that greater equity involvement by City institutions will be required if large numbers of schemes are to proceed. Some 500 projects, with an estimated valne of more than £25bn, have been identified by the government's private finance panel as potential PFI developments.

Several large investment institutions, in addition to Hermes, have expressed serious interest in investing in Innisfree, which is chaired by Mr Roger Brooke, chairman of Candover Investments, the management buy-out specialists.

Mr David Metter, who last year managed the £800m demerger and flotation of Capital Shopping Centres from TransAtlantic Holdings, is chief executive of Innisfree. He left TransAtlantic, the life assurance and property group, in April to form the new fund.

Its aim is to provide private equity for projects in sectors including transport, health, prisons, and other infrastructure traditionally financed by the public sector.

Financing of the new fund is expected to be completed before the Budget on November 28.

Mr Kenneth Clarke, the chancellor, is expected to set a target next year for the award of about £5bn worth of PFI projects. This would represent more than one-fifth of the government's total investment programme of £21.7bn.

Lex, Page 18

Latest official figures point to continued gap in the long term

Non-EU trade deficit narrows

By Graham Bowley, Economics staff

Britain's trade deficit with non-European Union countries narrowed last month for the first time since March, as exports grew at tbeir fastest rate for more than six years.

But despite this latest improvement, tbe long-run trend still suggests a widening deficit. The quarterly deficit, in the three months to September, is the highest since the first quarter of 1993.

The Central Statistical Office said yesterday the visible trade gap fell to £696m ($1.099bn) in September, from £980m in August, the smallest deficit for five months. In the three months to September, the deficit was £2.5bn, compared with £2.1bn in the second quarter.

Both exports and imports reached record levels. Exports grew hy 10 per cent in September, to £5.7bn, while imports rose by 3.5 per cent to £6.4bn.

Changes in the trade balances on oil and erratic items, such as ships and precious stones, accounted for nearly half the reduction in last month's deficit, the CSO said.

In recent months, the trade figures have been hit by maintenance work in the North Sea, which has pushed Britain's trade balance in oil into the red. However, last month the trade deficit in oil fell from £81m to £17m. The UK's total underlying deficit, excluding oil and erratics, shrank to £582m from £744m.

Exports to north America rose sharply last month. This came as a relief to some City economists, who fear the slowdown in the US, one of the UK's main markets, has been acting as a drag on UK growth.

The CSO said the deficit with north America declined to £174m from £413m, as exports rose 19 per cent to £1.9bn.

Elsewhere, exports to Asia rose strongly.

The increase in total exports was accounted for mainly by a rise in exports of capital goods, intermediate goods and consumer goods other than cars.

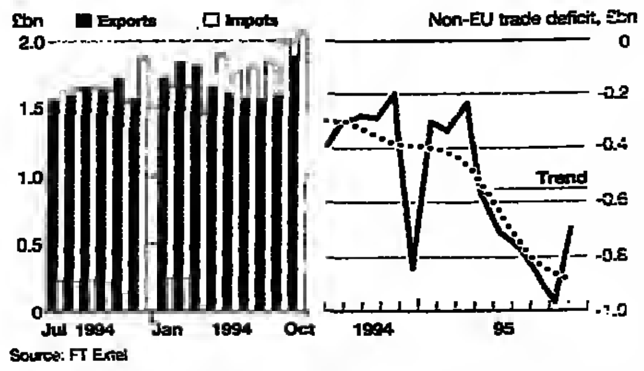
The rise in imports was largely due to an increase in imports of semi-manufactured goods, including silver from the US, the CSO said.

● Overseas earnings by UK consultancy and legal firms rose last year for the first time since 1990, according to yesterday's figures.

The CSO said net overseas earnings of consultants and legal firms were £1.34bn last year, compared with £1.31bn, in 1993. This brings to an end the decline in net overseas earnings since 1990, when earnings stood at £1.61bn.

Earnings from legal services rose to £502m, from £466m, in 1993.

EU trade with North America



Source: FT Extel

Lloyd's sees lowest level of business for five years

By Ralph Atkins, Insurance Correspondent

The level of insurance business transacted at Lloyd's of London has fallen to the lowest level since 1990, largely as as a result of price competition from other insurers and uncertainty about the 300-year old market's future.

The contraction during this year – forecast in an internal report circulated within the market – highlights the pressures faced by Lloyd's as it seeks to secure its future witb an ambitious recovery plan.

Lloyd's ruling council is expected next week to debate plans to obtain Names' approval for the plan in late November – a step seem as important to boost policyholders' and investors' confidence.

Implementation of the plan is not due until Spring and some Names' representatives have expressed alarm at being asked to vote before many details are available. Possibilities included seeking a mandate from Names via a a less formal procedure than a vote, or postponning the poll until next year.

The plan is worth at least £2.8bn to lossmaking and litigating Names – individuals wbose assets bave traditionally supported the insurance market. It would also transfer billions of pounds of old liabilities into a new reinsurance company, Equitas, leaving a "clean" on-going Lloyd's.

The Lloyd's report on business conditions forecasts an 11 per cent fall in insurance premiums this year, net of reinsurance taken out by underwriters to protect themselves against big losses. Part of the fall was attributed by Lloyd's to lower premium rates and a greater selectivity by underwriters towards the risks they underwrite.

But the report points out that other UK insurers reported broadly flat non-life premium income in the first half of 1995 while US insurers and US and Bermudian reinsurers reported significant increases in international premiums. That suggests Lloyd's is also losing significant amounts of business to competitors.

Separately, Mr Mark Brockbank, underwriter on Lloyd's syndicate 861, announced be was cutting by 25 per cent his ship bull and machinery insurance business. He said across the board rate rednctions by some insurers were not sustainable.

UK NEWS DIGEST

Warning over level of research investment

British companies were warned yesterday by the government they face annihilation in world markets unless they step up investment in research and development.

Mr Ian Taylor, science and technology minister, praised the UK pharmaceutical industry for its long-term R&D investment, but said some sectors were lagging behind.

"They are heading for annihilation in the great world market unless they do something about it," he said during a Commons debate on science. "Our great centres of excellence have thrived because they know a strong industrial base depends on a strong science base."

The Department of Trade and Industry, which took over responsibility for science last summer, has analysed the level of R&D in different sectors of the economy. Mr Taylor said a number of "frightening warts" had been unearthed.

But the government's contribution to research was attacked hy Mr Robert Jackson, a former education minister, who warned the DTI was presiding over a cut in university research funding. He said the prospects for university research were "pretty bleak" and accused the government of developing "a fundamentally mistaken policy towards basic science".

Mr Ian Lang, the trade and industry secretary, defended the transfer science from the office of public service and science to the DTI, claiming it was an opportunity. "There will be no lurch to short-termism – I fully accept the role of the science base is to undertake long-term and strategic research," he said. *George Parker, Political Staff*

Barings accountancy probe

The accountancy profession's senior disciplinary body yesterday said it is to investigate whether there are grounds for a full scale tribunal over the role played by accountants in the collapse of Barings Bank. The executive committee of the profession's Joint Disciplinary Scheme has asked its executive counsel, Mr Michael Chance, to see if there are grounds for complaint against any member, of member firm. A tribunal, if called, could levy unlimited fines and exclude members.The inquiry will look at the role of all those involved. Counsel is expected to report in 1997. *Jim Kelly*

Pill decision criticised

The government's Committee on Safety of Medicines was criticised yesterday following its health warning on Thursday about seven brands of low-dose contraceptive pill taken by 1.5m British women.

Most vocal was Professor Walter Spitzer of McGill University in Montreal, who directed one of the three unpublished studies cited by the committee in its warning that the seven brands doubled the risk of deep vein thrombosis (blood clotting). He flew from Canada to London, to denounce the committee and the way it had treated his data. Prof Spitzer accused the government's medical advisers of breaking the Hippocratic Oath by their action.

"The core of the Hippocratic Oath is, above all, do no harm." he said. "Every time yon create an epidemic of anxiety you do harm. In my opinion there has been a serious breach of acceptable health protection procedure. The likely result is an unnecessary and harmful 'pill scare'." Prof Spitzer echoed the views of the pill manufacturers when he said any increased risk of thrombosis might be outweighed by the greater safety of the "third generation" pills in other respects, such as heart attacks or stroke. *Clive Cookson, Science Editor*

Swan Hunter staff win ruling

Former employees of Swan Hunter, the Tyneside shipbuilder which went into receivership in May 1993, have won a test case ruling which, solicitors estimate, will bring them a government payout totalling about £4m. The Employment Appeals Tribunal has ruled that no deductions should have been made by the former Department of Employment from the protective awards made by industrial tribunals in favour of the 2,500 people who lost their jobs following Swans' receivership. *Chris Tighe*

Company chiefs' pay rises 5.9%

Chief executives of UK public companies received an average salary increase in the 12 months to July 1 of 5.9 per cent, according to a survey by Bacon & Woodrow, the remuneration consultancy. Main board directors' average increase was 7.5 per cent. A typical basic salary was £123,470 ($195,082) with benefits of £62,519 and bonus payments of £26,567, making a total of £212,556.

The average hasic salary paid to chief executives was £228,738, or £344,990 with benefits, and £399,318 including bonus payments. The study estimates that chief executives and directors have options outstanding of more than twice annual cash earnings. *William Lewis*

'Whistleblowers' code set

The government will publish a new code for senior officials next week, enshrining for the first time the right of civil servants to blow the whistle on fraud in their departments and to refuse to carry out an instruction on a matter of conscience.

The rules, which have taken 10 months to compile after extensive consultation, are designed to comply with recommendations of the Nolan committee on standards in public life. Tha code, a brief statement of principles, requires government departments to nominate individuals who can be approached in confidence by civil servants who suspect colleagues or bosses may be taking part in "criminal or unlawful activity". They may also report incidents in which they are required to act in a way which raises "a fundamental issue of conscience".

The First Division Association, the trade union which represents senior civil servants, says members have reported being ordered by ministers to carry out party political work, such as speech writing.

The right to "whistle blow" will come as a relief to civil servants who have had no source of redress in the past. Campaigners for greater openness, while welcoming the principle, said they would reserve judgment until they saw the new system working in practice.

The code, which will come into force at the end of November, allows civil servants to appeal to the civil service commissioners if they are not satisfied with the complaints procedure within their departments. The code is one of the less controversial proposals of the Nolan committee to be approved by the government or parliament.

The most contentious issue, a tightening of the register of MPs' interests, will be debated by the Commons before the end of the current session in early November. *John Kampfner*

هكذا من الأصل

Order books more than double but bidder 'surprised' by flat sales

Dobson estimates 41% growth

By Tim Burt

Dobson Park Industries, tbe mining equipment manufacturer fighting a hostile £172m bid from Harnischfeger Industries, its US rival, yesterday said profits would increase by 41 per cent this year following a sharp rise in orders.

The company, wbich bas rejected Harnischfeger's 110p a share offer, predicted pre-tax profits of £14.8m (£10.5m) for the year to September 30 and said the value of its order book had more than doubled to £147m.

It also promised shareholders an increased final dividend of 3.3p (2.55p) – making 4.5p (3.75p) for the year – and said it would offer a pay-out of at least 5.2p next year. Earnings per share are estimated to rise to 6.5p (5.3p).

"This is not a dividend giveaway to entice shareholder support," said Mr Adrian Buckmaster, chief executive.

Launching Dobson Park's defence document, he added: "It simply reflects our strong operating profits and order book."

Altbough Dobson Park's share price rose 1p to 125p, Harnischfeger said it was unimpressed by the figures and suggested tbe sbares would be trading at less than 100p were it not for its bid.

"The profit performance is in line with our expectation and certainly no less than shareholders should demand of a company approaching its cyclical peak," said Mr John Hanson, chief operating officer at Harnischfeger.

"However, we are surprised and disappointed that the company's sales are effectivaly stagnant at a time when it is claiming strong order books."

Trevor Humphries
Adrian Buckmaster: dividend is not a giveaway to entice support

Those sales increaaed marginally from £224m to £230m.

Harnischfeger – which wants to integrate Dobson Park's Longwall International mining subsidiary with Joy Mining Machinery, its coal cutting business – has until next Friday to revise its offer.

Mr Hanson played down suggestions of a aignificant increase and said several of Harnischfeger's institutional shareholders had urged it not to over pay.

"They have done their own valuation of Dobson Park and told us our [existing] offer was too high," he added.

Some City analysts disagreed, and ooe suggested that yesterday's profit forecast would have pushed Dobson Park shares above Harnischfeger's offer price even in the absence of a bid.

Dobson Park, meanwhile, is expected to strengthen its balance sheet by selling its toys business, surplus property and its Richard Simon bagging equipment subsidiary.

Clyde Blowers, the materials handling company, has signed an ontline agreement to acquire the Richard Simon business.

Rentokil expands security business

By Geoff Dyer

Rentokil, the environmental and property services group, is to expand its growing security business with the acquisition of GMIC In Belgium for BFr900m (£19.7m).

The group has agreed to buy the business, which would be its first security operation in continental Europe, from Mayne Nickless, the Australian transport, security and healthcare company, and Générale de Banqne, Belgium's higgest bank.

The deal, whicb is subject to regulatory clearance, follows Rentokil's acqnisition in August of Mayne's North American security businesses for £33.2m.

The group moved into the industry in 1993 with tbe £76m purchase of Securiguard in the UK. It plans to make further acquisitions in the sector, particularly in the US.

GMIC bas 1,750 employees and is the second largest security business in Belgium, providing mobile patrols, casb transportation and overnight courier services. It has net assets of BFr212m and in 1994 made operating profits of BFr81m on turnover of BFr2.5bn.

This is the latest in a series of divestments by Mayne of its non-Australian security businesses. It recently sold Security Express Alarms in the UK to Chnbb and its Spanlsb alarms husinesses, Clnsesa and Inglesa, to Cerberus, the Swiss security group.

Scholl ready to meet rebel holders halfway

By David Blackwell

Scholl, the healthcare products group, yesterday said It was prepared to appoint an additional non-executive director "of a stature acceptable to all its shareholders" in order to end the battle with the rebel faction.

The announcement followed an approach from J.O. Hambro & Partners, which together with the UK Active Value Fund holds a 15 per cent stake. The rebels have requisitioned an extraordinary meeting for next Tuesday with the aim of electing three of their nominees to the board and putting the group up for sale.

Mr Chriatopber Mills of Hamhro contacted Samnel Montagu, Scholl's adviser, with the proposal on Thursday. It is understood to have been initiated hy a large institutional shareholder that wanted both sides to start talking.

Both sides were claiming victory yesterday. Mr Mills, who rejected any snggestion that the rebels were climbing down, said: "In our opinion the vote is incredibly close. But both sides believe it is not in the best interests of the company for the battle to be protracted."

Mr Mills has proposed that a senior colleague at Hambro be appointed a non-executive director wbo would "chair a committee of the board to consider any approaches the company receives". Acceptance of the proposal would lead to the withdrawal of the requisition for an EGM.

UK Active Value said it hoped the Scholl board would "enter into the spirit of the negotiation positively".

Mrs Judy Stammers, Scholl finance director, said the dispute had been "very, very disruptive, time consuming and costly. It could have been done in a much more positive way".

She added that while the board would accept another non-executive, he or she would have to be independent of any faction, be chosen from e range of candidates, and would have to work with the main board rather than through a committee if there were an approach from a potential bidder.

The board hoped agreement would now be reached, but warned that there could be "no certainty as to this".

It is too late to cancel the EGM but it might be adjourned – in any case the rebels will be able to change their proxy votes. Tbe proxy vote will be finalised tomorrow.

The battle began last month as the group reported an 18 per cent rise in interim pre-tax profits to £11.8m and the appointment of a new chief executive.

Mr Julian Treger of UK Active Value, wbo has been the principal spokesman for the rebel faction, argued that the ownership of a stand-alone brand made no sense as it entailed considerable distribution costs.

He suggested that a lot of international consumer product companies would be interested in Scholl, which dominates the leg and foot care markets. Four potential bidders were said to have approached the rebels.

Mr Gordon Stevens, chairman of Scholl, has vigorously rejected the plan and pressed hard for further information about potential bidders. His letter to shareholders earlier this month described the directors proposed by the rebels as "short-term investors" who did not merit places on the board.

Earlier this week Scboll received a letter from Arkopharma, a private French company, interested in a merger. Arkopharma, which is based in Provence, has annual sales of about £75m.

Grid terms delayed by Hanson tax problem

By David Lascelles, Resources Editor

A last-minute tax problem with Hanson, tbe industrial conglomerate, prevented publication of the terms of tbe National Grid Company flotation as planned yesterday.

Hanson became a shareholder in the Grid through its recent acquisition of Eastern Group, the Ipswich-based electricity distribntor. The tax clearances for the £3.5bn flotation wbich had previonsly been agreed by Eastern now have to be transferred to Hanson, or "refresbed".

Hanson said it expected that this would be done by early next week. "We remain enthusiastic about the flotation and expect it to go ahead," the group said. "This is only a process issue."

National Grid said: "This is not something that will jeopardise the transaction."

The terms to be announced will include a valuation of the Grid and a forecast of its dividends. The shares are due to start trading on December 11.

Cash call from Cordiant expected before year end

By Diane Summers, Marketing Correspondent

Cordiant, the Saatchi & Saatchi holding company, is finalising details of a rigbts issue to help clear its debts of £150m.

The cash call now looks set to go ahead before the end of the year. Mr Bob Seelert, who was appointed chief executive in July, will, under the terms of his contract, collect a bonus of $160,000 (£103,000) if the issue is completed by December 31.

Analysts had been expecting the rights issue to be on a 2-for-3 basis at 100p, when the share price stood about 120p in August.

Since then, shares bave dropped to 98p.

The lower share price means a greater number of shares would have to be issoed to raise the casb to pay off all the debt.

This would have the effect of diluting future earnings and dividends, wben they are resumed.

Ms Lorna Tilbian, media analyst with Panmure Gordon, said yesterday that it could now take a 7-for-8 share issue, with a discount to 78p, to wipe out the debt.

"Perhaps the time isn't right. The share price has come back and they'd have to issue more shares. But he [Mr Seelert] has got a personal incentive to do it sooner rather than later," she said.

Mr Seelert's contract, which is for an initial three years, provides for an annual salary of $800,000, the $160,000 bonus for refinancing by the year end, and an annual performance bonus in subsequent years.

Shareholders cast doubt on likelihood of Eurocopy bid

By Geoff Dyer

Independent shareholders in Eurocopy now doubt that the photocopier distributor, which announced in August it was in discussions which might lead to an offer, will in fact be the subject of a takeover.

Mr Matthew Burton, finance director, said yesterday that Eurocopy was "still actively talking to two parties" which might lead to an offer, and was communicating with a number of other companies "on a less intense basis". He confirmed that a sale memorandum had been produced.

However, some shareholders, who have seen a spate of takeovers of other companies in the office equipment sector this year, are becoming sceptical. One institution said: "It is looking curious tbat things have dragged on for this long."

Eurocopy, in which the family of Mr Cyril Gay, chairman, owns more than 50 per cent of the shares, is the last independent quoted office equipment distributor in the UK.

Sources close to the company said the two parties talking to it were Alco Standard Corporation, the US paper distributor and office equipment group, and Ricoh, the Japanese office products group. Both refused to comment.

Alco has been on an ecquisition spree this year, paying £81.1m for Southern Business Group in May and £23.5m for Copymore in August. It said yesterday that it was keen to make more acquisitions and had had conversations with a number of companies. Ricoh moved into the UK market in July with the £179m acquisition of Gestetner, the office equipment distributor.

However, there is growing speculation that a hid from either company is unlikely. "In the past when Alco has wanted to act, it has acted very quickly," said one analyst. Sources close to Ricoh said they would be surprised if the group made an offer.

Other potential bidders have ruled themselves out. Mr Alan Baldwin, chairman of Cardinal Business Group, formerly known as Berkeley Business Group, said it had no plans to make a bid, and Danka Business Systems, the acquisitive photocopier company, is also understood to have ruled out an offer.

The prolonged negotiations have been complicated by Eurocopy's decision to change its adviser, with N.M. Rotbschild's Manchester office replacing Samuel Montagu last month.

Bid for Fisons unconditional

By Daniel Green

Rhône-Poulenc Rorer, the US drugs company controlled by Rhône-Poulenc, the Frencb chemicals group, has declared unconditional its £1.8bn takeover bid for Fisons.

RPR bad received acceptances from shareholders representing 46 per cent of Fisons shares; it bed previonsly bongbt 21 per cent of tbe shares in the market.

The closing date was yesterday and RPR said that the 265p a share offer was extended indefinitely.

Surrey Group warns after summer slump

By Nigel Clark

Surrey Gronp, the bookmaking concern, is expected to fall back into the red for the six months to September 30.

Although the year started satisfactorily, directors said that in common with much of the betting industry the company experienced a downturn in margins during August and September. The board thought it was too early to estimate the result for the year.

The shares fell ¼p to 1p.

In the six months to September 30 1994, tbe company returned to profits with £45,000 pre-tax against losses of £57,000. Full year profits were £195,000, when the company said It was considering a number of opportunities for expansion in leisure related activities.

NEWS DIGEST

Laporte expands in Canada

Laporte, the speciality chemicals group, is expanding its organics division with the purchase and planned development of the Clover Bar facility in Edmonton, Canada.

This facility is currently owned by the Provincial Government of Alberta and operated by the Alberta Research Council.

The initial investment of C$30m (£14m) will create 60 jobs and should be completed by mid-1997. It will provide additional annual sales of more than C$40m of advanced drug substances and pharmaceutical intermediates for the growing North American market.

Pengkalen (UK) loss

Pengkalen (UK), the foods group formerly known as Grand Central Investment Holdings, reported a pre-tax deficit of £4.33m for the six months to June 30, compared with profits of £203,000.

Turnover rose 39 per cent to £35.4m.

Network Foods, listed on the Australian stock exchange, increased sales by 34 per cent; bowever, associated development costs reduced profits in the first half. The second half was expected to show improvements, the company said.

Pengkalen Investments lost £2.13m following natural disasters in Japan and plant start-up costs in Malaysia and Indonesla. The benefits of these plants were expected to show in next year's results.

Losses per share emerged at 9.57p (0.36p earnings).

Westminster Scaff

Westminster Scaffolding Group has withdrawn from negotiations over its planned merger with John Gibson Agencies.

The USM-traded gronp announced in August that it had reached provisional agreement on the merger, but due diligence caused it to revise the terms and these were not acceptable to Gibson.

DCC expands

DCC, the Dublin-based industrial company, has acquired 44.5 per cent of International Translation & Publishing, plus an option to raise its bolding to 90 per cent at any time up to September 30 1997.

EIS/Aerostructures

EIS, the specialist engineering group, has declared its £18m agreed offer for Aerostructures Hamble, the aircraft parts maker, unconditional as to acceptances.

It has received valid acceptances in respect of 29m shares (50.74 per cent). The offer ramains open until further notice.

Richards ahead

Richards Group, the engineering and support systems company, reported pre-tax profits up from £120,000 to £175,000 for the six months to June 30.

Turnover was up from £8.23m to £9.3m, of which 24 per cent was exported, tha company said. The interim dividend is maintained at 1p, payable from earnings of 1.55p (1.07p) per share.

The company said investment in two new prodnct ranges, pre-galvanised cabla tray and distribntion of imported busbars, would benefit the group in 1996.

Clyde Petroleum

Clyde Petroleum is to pay a net $5.3m (£3.4m) to acquire a further interest in the Ross development, with an additional 11.9167 per cent stake in Block 13/28a.

Clyde is to acquire from Elf Enterprise its 18.25 per cent interest in the Block, while Clyde has also reached a separate agreement with Lasmo to pass on to Lasmo a 6.3333 per cent interest in Block 13/28a on pro rata terms.

Mr Roy Franklin, Clyda'a managing director, said the net result of these deals should be to add about 3-4m barrels of oil to the company'a reserve base and raise its overall interest in Ross to over 12 per cent.

Clyde estimates Ross bas some 65m barrels of good quality oil.

Voss Net

Voss Net, the Aim-listed company which markets a computerised view order sales system, turned in a pre-tax loss of £320,511 for the six months to June 30.

For the year to December 31 1994 there was a pro forma deficit of £298,371.

Turnover came to £161,222 (£57,722 for year) mainly reflecting progress of the company's medical services product. there was also a contribution from the Voss Net On Line service.

Secs Trust Scotland

Securities Trust of Scotland, the diversified investment trust managed by Martin Currie, had a net asset value of 94p a share at September 30, a rise of 11.5 per cent during the six month period.

Mr David Whitaker, chairman, said the advance – which underperformed the benchmark FT-SE-A All-Share Index by more than three percentage points – reflected good returns from equities being partly offset by a poorer showing from fixed interest holdings.

Attributable revenue for the period edged up from £5.03m to £5.21m, for earnings of 1.63p (1.57p) per share. The interim dividend is held at 1.08p.

Independent Parts

Independent Parts Group is to acquire Autostart Gronp and Quest Components for an initial £5.5m, payable in new shares. IPG will also assume debt of £500,000.

The group announced the placing and open offer of a total of 4.21m new shares at 130p, of which 461,500 have been allotted to the vendors and the remainder placed with institutions. The shares will be available to qualifying shareholders on a 3-for-14 basis.

The businesses being acquired rebuild car engine components and complement IPG's existing oparations. Their combined operating profits for the year to March 31 were £548,000 on sales of £4.85m. Net assets stood at £403,000.

Armour Trust

Armour Trust has acquired House of Despina, a maker and distributor of pot pourri, fragrance gifts, associated toiletries and cosmetics, for £100,000 in cash and shares. HoD's turnover for the year to June 30 was £1.8m. It has a 17 per cent share of Mercia International Fragrances, which develops and makes fragrances.

Spy HQ comes in from the cold

Development Securities buys former MI5 home for up to £50m, writes **Simon London**

The former London beadquarters of MI5, the counter-intelligence service, has been acquired for between £45m and £50m by Development Securities, the small UK property company, backed by an unnamed German investment fund.

The existing building at One Curzon Street, in Mayfair, will be demolished and replaced by a 300,000 sq ft office building in what will be one of London's largest property developments.

The German fund is putting up most of the finance for the £200m project although the scheme will be managed by Development Securities under Mr Martin Landau, its chief executive.

Development Securities will be paid a project management fee and take a share of the profits when the new building is finished and let. The scheme is expected to take about two years with a building ready for occupation by mid-1998.

The existing six-storey Curzon Street office block stands on a 1 acre site, which is the largest freehold plot in Mayfair to have come on to the market for at least 20 years.

At first glance the building is an unremarkable 1930s block. Inside it is the usual drab mix of long corridors and small offices.

But although the interior has been stripped by its former occupants, MI5 left behind some clues that this was not an ordinary office building.

A sign beneath a red warning in the car-park reads: 'Suspected bostile activity. Consider counter measures.'

The walls of the central "registry" area, where files were kept on potential security suspects, are peppered with mirrors which allowed MI5 agents to see over their shoulders.

One large room on the sixth floor is empty apart from a maze of metal ducts from which dangle thousands of severed telephone wires. The most likely explanation is that tbe security service maintained its own talepbone exchange for surveillance.

Some legends about the building have turned out to be true. For example, MI5 did run its own bar on the top floor – known as the Grapevine – to discourage agents from frequenting local pubs.

But although the royal family sheltered in the basement during the second world war, surveys have not uncovered any traces of the underground passage which was reputed to have linked Curzon Street with Buckingham Palace.

● Mitsubishi Estate, the Japanese property company, has taken full control of Paternoster Square, the development site next to St Paul's Cathedral in the City of London. Mitsubishi is paying £1m each to Greycoat, the UK developer, and Park Tower Realty of the US, to buy out their interests in the site, which has been awaiting redevelopment for more than a decade.


Fergus Wilde
One Curzon Street, where mirrors and telephone wires remain as evidence of its former occupants

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Molyneux Estates	Yr to June 23	7.8	(4.99)	2.31	(1.11)	4.61†	(2.61)	1.75†	Nov 23	1.25	3.25	2
Pengkalen (UK)	6 mths to June 30	35.4	(25.4)	4.33L	(0.203)	9.57L†	(0.36)	nil	-	nil	-	nil
Richards	6 mths to June 30	9.3	(8.23)	0.175	(0.12)	1.55	(1.07 †)	1	Nov 30	1	-	2.25
Superframe	6 mths to June 30	1.74	(1.9)	0.042	(0.152)	0.48	(1.66)	0.7	Dec 5	-	-	-
Voss Net Φ	6 mths to June 30	0.16	(0.058‡)	0.32L	(0.3L)	-	(-)	-	-	-	-	-
Warnford Invs	6 mths to June 24 ★	5.68■	(5.53■)	3.69	(3.43)	6.56	(6.15)	2.75	Apr 9	2.75	-	7.75

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
I&S Enterprise Cap	Yr to Sept 30	147	(123.5)	0.504	(0.145L)	1.35	(0.38L)	-	-	-	-	-
Secs Trust Scotland	6 mths to Sept 30	94	(85.6)	5.21	(5.03)	1.63	(1.57)	1.08	Dec 15	1.08	-	3.37
Value & Income	6 mths to Sept 30	121.8	(106.6)	1.22	(0.85)	2.73	(1.98)	2.2	Jan 5	2.1	-	4.2

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. †On increased capital. ΦAim stock. ‡Comparatives pro forma for year to December 31 1994. ★Comparatives restated. ■Gross rentals and service charges.

INTERNATIONAL COMPANIES AND FINANCE

Property losses hit Générale des Eaux

By John Ridding in Paris

Générale des Eaux, the French water, construction and communications group, yesterday announced a sharp fall in profits for the first half of 1995 and warned that property losses for the full year could reach between FFr6bn and FFr7bn ($1.21bn to $1.41bn).

The company, one of several casualties of France's depressed property sector, said it would probably suffer a loss this year, against net profits of FFr3.35bn in 1994. Mr Jean-Marie Messier, managing director, said losses would be offset by receipts from a programme of asset sales, and forecast a strong rebound in earnings in 1996.

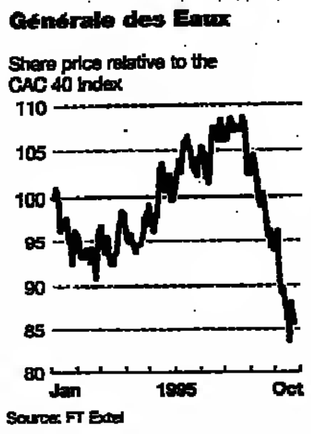
In the first half, Générale des Eaux saw net profits fall to FFr224.3m from FFr1.26bn in the comparable period of 1994 – but excluding property and construction losses, the result was stable. Operating profits rose by 4.5 per cent to FFr1.87bn on sales of FFr80.6bn, a rise of 10.8 per cent.

In addition to the acute problems in the property sector, Mr Messier said the company had been hit by losses in its German construction business. These losses, mainly in roads and environmental engineering activities, were forecast to result in a significant deficit for the full year.

Industry analysts said Mr Messier, who joined the group last year and is preparing to succeed Mr Guy Dejouany as chairman, is seeking to resolve problems in the company's property activities.

He has already overseen the absorption and recapitalisation of Compagnie Immobilière Phenix, the company's troubled property subsidiary, which suffered a big loss in 1994.

Mr Messier claimed the provisions and restructuring in the property sector should be completed by the end of the year. He said Générale des Eaux would increasingly focus on its strategic businesses, expanding its international water and electricity operations and developing its telecommunications activities in France.



Générale des Eaux said it had seen a strong expansion in its water and services business overseas this year, including contract awards in Puerto Rico, Malaysia and Australia. Electricity sales in the US doubled during the period.

Overall, international sales grew by 17.5 per cent to FFr24.4bn.

Mr Messier is aiming to build the group into France's second-largest telecoms operator after state-owned France Télécom. He said SFR, the group's mobile telecoms division and one of Francs's two mobile operators, had significantly increased its market penetration since the beginning of 1995. The cost of investment in the network prompted an operating loss of FFr567m at SFR in the first half.

Despite sluggish demand in the construction sector, the company said it was on course to achieve its sales forecast of FFr163bn to FFr165bn for the full year, a rise of between 5 per cent and 6 per cent.

Divorce settlement unsettles Nouvelles Frontières

By Andrew Jack in Paris

A divorce is threatening to break the long-standing stability in ownership of one of France's most successful tourism companies for the first time since it was founded in 1967.

A shareholder in Nouvelles Frontières, a privately-controlled tourist operator, yesterday placed some of her shares on the Paris stock market in spite of the express intention of the founder and chairman to keep his company ont of pohlic hands.

Mr Jacques Maillot, the colourful founder of Nouvelles Frontières, built his company with financial support from a handful of childhood friends who have remained almost its sole shareholders ever since. Most continue to work for the company.

It has grown to become one of the best-known and most successful operators in France with an estimated turnover for the current year of FFr7.2bn ($1.45hn) and 2.2m clients.

However, the ownership structure was threatened after Mr Patrick Nottin, a one-time boy scout friend of Mr Maillot and an original shareholder in the company, divorced his wife Catherine Cadepond three years ago.

He gave half of his 13.9 per cent stake to her, and at the start of this year sold his shares to Mr Maillot for FFr5m. But Ms Cadepond wanted far more money, and had offered to sell her shares for more than FFr100m – figures which Mr Maillot described yesterday as "unreasonable".

Ms Cadepond then decided to sell her shares puhlicly, and introdnced 10 of her 566 shares to the hors-côte or off-market exchange in Paris yesterday at FFr73,350 each.

She can accept the highest bid hy the time the offer expires on Tuesday and her advisers said she was likely to sell her remaining shares in the same way if the price were sufficiently attractive.

Leven, a Paris-hased stockbroker organising the quotation, estimates that Nouvelles Frontières is worth up to FFr1.8bn. However, in a letter from the company at the start of the official prospectus for the shares, Nonvelles Frontières criticised many aspects of the offer and said the valuations were excessive and "surreal".

Mr Maillot said yesterday he did not rule out a partial flotation of the group – or more likely some of its subsidiaries – hnt pointed ont that the existing structure, in private hands, had worked perfectly well until now.

He stressed that the group statutes stated it had to approve any change in share ownership, leaving open the option for him to buy them from whoever makes an offer to Ms Cadepond.

He added thet the company had never paid a dividend, with all the money being re-invested in the group, and it did not intend to change this policy. "I am laid-back about the whole thing," he said.

Groupe Bull cuts loss and expects break-even for year

By John Ridding

Groupe Bull, the French computer manulacturer, reduced its net losses from FFr2.22bn to FFr874m ($170.69m) in the first nine months of the year, and said it was maintaining its target of hreak-even for 1995.

However, the resnlt prompted concern among industry observers who had forecast a stronger improvement after the return to operating profit in the first half.

They said the performance in the third quarter and the sharp fall in sales in the group's two core husinesses, enterprise systems and customer services, demonstrated the fragility of the recovery.

The state-controlled French group, which has recently concluded the sale of significant equity stakes to international partners including Motorola of the US and NEC of Japan, has lost more than FFr20bn over the past five years. It has implemented a radical restructuring programme under the chairmanship of Mr Jean-Marie Descarpentries, who took charge of the company in 1993.

Total sales, excluding divestments, in the nine months amounted to FFr17.7bn, against FFr18.1bn in the same period last year. However, turnover at the two core husinesses fell 12 per ceot, while sales in France declined 11 per cent.

Bull cited several positive aspects of the performance during the period, which saw the operating loss shrink from FFr893m to FFr417m.

It said its six designated high growth husinesses, which include open systems and systems integration, achieved combined sales growth of 7 per cent. Bull said growth was especially satisfying in its European operations ontside France.

The company said that three ont of every five Bull employees had become shareholders in the group as part of its partial privatisation, which was launched earlier this year. The tranche for personnel was almost twice subscribed, for a total value of FFr116m.

The French group is involved in a two-stage privatisation process, needed partly to satisfy conditions from the European Commission for a FFr11bn capital increase which was approved last year.

Last month, Motorola confirmed it would exercise an option to take a stake of 17 per cent in the group, having previously committed itself to a 10 per cent holding.

NEC of Japan and France Télécom also have stakes of 17 per cent, while several other international groups have smaller holdings in Bull.

The French government's share of just over one-third of Bull's capital effectively gives it control, although a full privatisation will be achieved through the sale of further stakes in the company.

Price rises behind advance at Metsä-Serla

By Hugh Carnegy in Stockholm

Metsä-Serla, one of Finland's leading forestry industry groups, yesterday joined its rivals in announcing a big jump in profits in the first eight months of the year, but investors worried about the longevity of the cycle remained unimpressed.

Metsä said profits after financial items jumped from FM351m in the same period last year to FM1.28bn (US$300.9m). Sales were also np strongly, rising from FM6bn to FM8.48bn.

The results brought the combined profits during the period for the four top Finnish pulp and paper groups to almost FM7.8bn, compared with less than FM3bn last time.

Metsä said it expected the recent strong upward trend in product prices to continne and forecast further improvement in profitability during the final four months of the year.

But Metsä'a most-traded B share fell despite the results, closing down FM2.00 on the day at FM162. Forestry shares continued their recent downward trend on both the Helsinki and Stockholm stock exchanges. The Helsinki forestry index fell almost 2 per cent to 1,894.33, far below its level at the end of last month when it stood at 2,096.4.

Investors are worried that the upward price trend bas weakened and may have peaked. They are also concerned that new investment in paper capacity will come on stream just as the cycle is turning down, undermining prices.

Metsä acknowledged that price rises would be slower in the near future than over the past two years. It said a run-down in stocks had caused a depletion of order backlogs for some prodncts, but it said it expected a resumption of strong demand growth once stocks had been run down.

Group operating profit at Metsä rose from FM504m to FM1.4bn in the period. All the group's three main business areas showed increased sales and operating profits.

Small investors back ADM as board stands firm

Archer Daniels Midland bowed very slightly to pressure from large shareholders on Thursday and agreed to form a committee of five directors to examine corporate governance issues. But the move was the only concession to protesting pension funds at an annual meeting where ADM's Mr Dwayne Andreas declared: "I'm the chairman, and I make the rules as I go along."

ADM and Mr Andreas, have been under fire since June for not giving shareholders information abont a continuing government inveatigation into alleged price-fixing at the company.

Bnt the most vocal critics, institutional shareholders which hold nearly half of ADM's shares, were not at Thursday's meeting, held in a high-school gymnasium only yards from ADM's main processing plant. Instead the meeting was packed with elderly residents who are long-time shareholders and owe thair livelihoods to the company.

"We don't think there's much wrong here," said Mr Bill Stocks, a local farmer who also sits on the board of a bank and a grain elevator which do business with Archer Daniels. "ADM has been awful good to farmers here."

The row has escalated into a protest over the structure of the 17-member board, which is stacked with ADM executives and relatives of the Andreas family.

ADM, with sales of $12.7bn last year, is North America'a largest flour miller and corn processor, and operates the world's biggest soyabean processing plant in the Netherlands.

The 77-year-old Andreas qnickly quashed contributions from the floor seeking management reform. He was applanded when he chastised speakers for "imposing" on attendees and ordered their microphones shut down.

The only shareholder resolution before the meeting, a motlon to add more women and minorities to the all-white board, was roundly defeated.

The existing board was re-appointed, despite protest votes representing more than 33m shares, or about 6 per cent.

Just before the meeting the board voted to double ADM's cash dividend and repurchase another 25m shares – moves which bolstered the company's share price.

When Mr James Randall, ADM's president, took the podium, he fumbled for a minute with his microphone and then said: "Excuse me. I'm having trouble with my wire." Nobody laughed, perhaps because few caught the reference to Mr Mark Whitacre, the former ADM executive who wore a secret microphone to ADM meetings during his three-year stint as an FBI undercover agent.

ADM has accused Mr Whitacre of embezzling $9m. Mr Andreas disclosed that the company's insurance would cover the alleged theft. He also said ADM had initiated civil proceedings in Switzerland to recover about $4m of the lost funds still held in bank accounts controlled by Mr Whitacre.

Mr Brian Mulroney, former prime minister of Canada and now an ADM director, who heads a special board committee formed to respond to the government investigation, gave a rousing defence of his own and the board's independence. Yet he admitted his committee had not been asked to carry out an independent investigation of the anti-trust matter.

He and Mr Andreas told shareholders that legal considerations linked to the government inquiry and a raft of related civil suits prevented them from offering more details on the company's situation.

As shareholders filed out of the meeting several said they had learned very little from the gathering. One said: "The company's doing good, but the stock would be doing better if they were more up-front about this whole thing."

Laurie Morse

COMPANY NEWS: UK AND IRELAND

Ciro accuses Country Casuals of 'desperation'

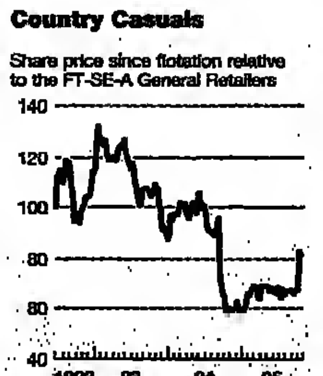
By David Blackwell

Ciro Holdings bas accused Country Casuals, the women's wear manufacturer, of trying to distract attention from its 140p a share cash offer.

"We are surprised by Country Casuals' sorry attempt to continue to shift the focus away from the cash offer," said the group. "This smacks of desperation on the part of the board."

Ciro's remarks follow further statements from Country Casuals yesterday concerning the amount of money that Mr John Shannon, the former chief executive of Country Casuals who now heads Ciro, will make if the £26.8m bid succeeds.

On Thursday, Ciro put out a supplement to its offer document which said that Mr Shannon would be paid £60,000 in fees for arranging ths financing. In the original offer document, Mr Shannon, who is the



biggest Country Casuals shareholder with 19 per cent, said he would pay himself £128,100 in compensation to sattle his claims following the hoardroom row that preceded his resignation.

Yesterday Country Casuals, which publishes its defence document next week, said the two payments meant an extra 5p a share for Mr Shannon. It also described his determination to pay himself compensation as "a contradiction of the normal standards of corporate governance" and suggested that the maximum he would get from an industrial tribunal would be £12,333.

Next week's defence document will relterate Country Casuals' commitment to Elvi, its lossmaking brand for larger women which caused part of the row with Mr Shannon.

Ciro said on Thursday thet it would "dispose of or discontinne the husiness of Elvi" not later than six months after taking it over.

Country Casuals said yesterday that it would "demonstrate that Elvi has significant potential". The board was also concerned about "the damaging uncertainty which Mr Shannon's comments could have on Elvi".

Low-class roots and high-class profits

John Murray Brown explains why family links keep Fyffes at the top of a rough trade

Not long ago, it was the view of institutiooal investors that the McCann family would have to loosen its grip on the top management of Fyffes, the Dublin-based international fruit and vegetahle distribution company.

As Mr Neil McCann prepares to step down as chief executive at the end of this month, handing over to his two sons, Carl and David, the family connection is seen as the driving force for the company's success.

The change in investor sentiment in part reflects the company's solid profits performance, in s difficult market for bananas, its main prodnct. It is also a measure of the poor record of Fyffes's main rivals.

Geest, the UK-based fruit trader, has suffered a string of setbacks which some analysts trace to the end of the Geest family interest, while US multinationals like Chiquita misread the market and became overstretched in the expectation of bigger quotas with the introduction of the European Union's single market in 1993.

"Knowledge of the banana business is far more important than any worries about how much of the company the family controls," says a London analyst.

The 71-year-old founder will certainly be a hard act to follow, having transformed what was in tha 1950s a small Dundalk-based wholesaler into Europe's second largest banana and general produce operation.

In 1986, Fruit Importers of Ireland, the McCann family company, bought the UK-based Fyffes group from Chiquita for I£26m, at a time when FII's own market valne was only I£15m. Since then, sales have risen from I£154m to close to I£1bn (£1.02bn), the forecast figure for the current year. Fyffes has seen earnings per share grow on average more than 5 per cent a year since 1990.

'Anyone who lives above a fruit company in hot weather knows how unpleasant it can be'

"Fyffes would be seen in the trade as slightly different," says Mr McCann. "The rest would be regardsd as 'office hours' and slightly bureaucratic. Fresh prodnce is a night and day business, and it's an attitude that families retain."

The company is proud of what Mr McCann calls its "low-class" roots. The company headquarters is still located in the fruit-littered street just off the Liffey quayside, in Dublin's main fresh produce market.

And unlike others in the sector which have diversified, Fyffes has remained focused on its core activities, while expanding through acquisition.

For all that, Mr McCann would be the first to admit he could have done more for the cause of "investor relations," although his explanation is characteristically direct. "I think we're ao husy selling bananas that we probahly don't give much effort to selling the company to investors."

In 1991, the company, egged on by increasingly anxious institutions, appointed a new chief executive – Mr John Callaghan, senior partner of a local accountancy firm. He stepped down two years later. Although both parties agreed not to discuss the break-up publicly, Mr McCann concedes the move was ill-jndged.

"I think we made a mistake and I think he made a mistake. The fruit trade is a rather special business. It requires an urgency. Prices change by the hoor, by the minute. It's more like the bookies at the races," he says.

Mr McCann's own departure inevitahly raises queations about the capabilities of ths second generation in a difficult trading climate.

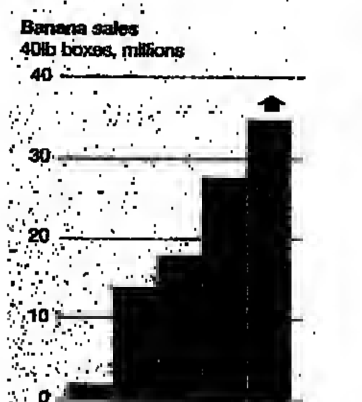
In developed markets like the EU, consumption remains flat and in the less sophisticated areas like eastern Europe, logistic and payment difficulties prevail. On top of that, there is the political uncertainty, with the US challenging the EU's banana regime, which gives preferential access to African, Caribbean and Pacific bananas.

Fyffes is certainly better plsced than its competitors, sourcing about half of its supplies from ACP countries and half from "dollar" producers in Latin America.

Mr McCann sees no early end to the EU regime. Nonetheless, Fyffes appears anxious to position itself for the return to a free market in bananas and has made a number of acquisitions in Germany and the Netherlands, which have no links with former hanana growing colonies and therefore buy dollar bananas.

The timing has been fortuitous too, with interest rates easing – diminishing the sttractions of holding high cash positions. Mr McCann says asset prices have also stsbilised, after the "silly" levels reached in the wake of the acquisition spree of Mr Asil Nadir, tbe Turkisb Cypriot head of Polly Peck International. Fyffes had a "good hard look" at Del Monte when the PPI administrators were looking for huyers, but Mexican investors outbid Fyffes. Mr McCann would be interested again, but only in buying the brand.

Ironically the share price has remained fairly flat since 1993



when Dole, the US fruit conglomerate, hid I£420m for Fyffes, and when strong stock buying "discounted a couple of years of earnings in a couple of weeks", as one analyst remembers. The shares closed yesterday at 104p – valuing the company at I£364.3m – against 122p at the time of the Dole hid.

The banana industry is enjoying a modest comeback, with athletes and tennis players promoting the fruit's health properties. Mr McCann ruefully observes: "It wasn't the companies that did anything; it just happened. It may look romantic hut its still a rough trade with long hours. Anyone who lives above a fruit company in hot weather knows how unpleasant it can be."

Superframe downturn to £42,000

Superframe, the St Albans-based manufacturer of acrylic display systems, blamed relocation to new premises and problems with deliveries for a aharp setback in interim profits, writes Graham Deller.

This, coupled with s cantious statement on current trading from Mr Andy Gilbert, chairman, saw the shares drop 5p to 40p. This compares with a flotation price in March of 50p.

On turnover down soms 8 per cent at £1.74m, pre-tax profits for the first half of the year dropped from £152,310 to £41,877.

Mr Gilbert said that growth in the seasonally favourable second half would emanate from new product sales. He warned, however, of "uncertainty among some of our retail customers, resulting in both orders and deliveries for new products heing slower than anticipated".

An uncovered interim dividend of 0.7p is declared. Earnings per share were 0.48p (1.66p).

CableTel wins fresh Welsh franchise

By Raymond Snoddy

International CableTel, one of the UK's largest cahle operators and the first to be quoted, has consolidated its Welsh interests with the award of a new 300,000-home franchise in Gwent and Glamorgan.

Tha licence has gone to CableTel Sonth Wales, a 60:40 joint venture with South Wales Electricity.

It will pay £104,188 a year for ths 15-year "local delivery licence" plus 2 per cent of qualifying revenue for the sixth to tenth years and 4 per cent for the remainder of the period.

The venture already operates a franchise covering more than 300,000 homes in Cardiff, Newport and West Glamorgan.

Mr Terry Ryan, managing director of CSW, said yesterday the new licence was an important part of a atrategy of expanding its ability "to provide a true choice for telephony, television, data and multimedia services throughout south Wales".

The investment needed to build a cable network to 300,000 homes is about £100m, mnch of which will be met out of cash flow from subscribers.

CableTel also recently won the right to cable Northern Ireland as a single franchise covering more than 500,000 homes.

Changes to FT-SE 100 and Mid 250 Index

The FT-SE Actuaries UK Indices Committee hae approved that Fisons he replaced by London Electricity in the FT-SE 100, following the announcement that the Rhône-Poulenc Rorer offer for Fisons has become unconditional in all respects.

London Electricity will be replaced hy London Clnbs International in the FT-SE Mid 250. London Clubs will also become a constitoent of the FT-SE Actuaries 350 Higher Yield Index.

NEWS DIGEST

Molyneux doubles to £2.31m

Molyneux Estates, the property investment company, more than doubled pre-tax profits from £1.11m to £2.31m in the year to June 23, on turnover ahead 56 per cent to £7.8m.

At the year-end, the value of the portfolio, which Mr David Lewis, chairman, said was well spread geographically and comprised about 1.58m sq ft of net accommodation, amounted to £98.3m (£84.6m).

Earnings per ahare came through at 4.61p (2.61p) and a proposed final dividend of 1.75p makes a total of 3.25p (3p).

Holmes & Marchant

Holmes & Marchant Group, the marketing and communications consultant, said that mainly because of a shortfall in sales, results for the second half would offset the £200,000 profits made in the six months to March 31.

The shares fell 5¼p to 6¾p.

That outcome was produced by a reduction or deferral of about 4 per cent in sales, the company said, because of its high operational and financial gearing. Accordingly, it had reduced overheads by about £500,000.

GTI Corporation

GTI Corporation, the US subsidiary of Telemetrix, the supplier of specialised electronic components, raised net income from continuing operations from $1.52m to $2.45m (£1.58m) in the third quarter to September 30, giving a nine months figure of $3.74m ($3.39m).

GTI, which is quoted on Nasdaq, turned in third quarter sales of $35.3m ($27.2m) making $95.3m ($73.3m) for nine months, while earnings per share - including discontinued operations - came to 28 cents (20 cents) and 46 cents (47 cents) for the respective periods.

First Maryland up

Allied Irish Banks said its First Maryland Bancorp unit raported third-quarter net profit of $31m (£20m), up from $28.5m a year earlier.

Net profit for the nine months to September 30 was $88.7m, up from $82.7m.

NatWest sells K3

National Westminster Bank has announced the sale of K3 Group, a subsidiary of Management Computing Services (formerly Centre-file), to IBM UK for £7m.

K3 is a supplier of software and support services, primarily to the insurance and huilding society markets.

Animex loss

Costs relating to its recent listing and substantial upgrading of production facilities in Russia left Animex, the Dublin-based oil exploration and production company, with a net loss of $295,986 (£190,959) for the first half of 1995, against a $348,070 profit last time.

Sales were static at $5.86m because of an upgrading programme. Losses per share were $0.87 ($1.04).

Following the agreement to participate in a second development in the Komi republic at Kirtayel, Animex's net proven and probable reserves have increased to 38m barrels of oil equivalent.

Grosvenor placing

Grosvenor Inns has placed 662,999 new shares at 219p to raise about £1.4m.

The shares were placed with institutions and represented 4.99 per cent of the current issued capital.

Proceeds would finance further pub acquisitions.

COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Squeeze slows LME copper fall

Concern about a shortage of immediately available supplies belped the copper market to regain some of this week's sharp fall yesterday morning, but tbe bearish tooe was quickly reasserted.

The three montbs delivery price at tbe London Metal Exchange bounced to $2,714 a tonne at one stage, but by the close it was back to $2,283.50, up $2 on the day and down $81 on tbe week. Reflecting the supply tightness the cash premium, or "backwardatioo", widened out to $79 tonne before lunch time, compared with $66 at Thursday's close and $24 in mid-week.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+11,275	to 534,450
Aluminium alloy	+940	to 47,980
Copper	+4,625	to 181,550
Lead	-8,475	to 200,375
Nickel	-990	to 54,090
Zinc	-2,450	to 730,150
Tin	-65	to 14,620

In view of the widening backwardation – a reversal of the normal "contango" situation. wbere the cash position trades at a discount, reflecting the costs (storage, insurance and lost loterest) of holding physical metal – LME officials are closely monitoring the copper market.

"We are looking a bit more closely at copper because the backwardation is for nearby dates as well as the forward dates," said Mr David King the chief executive. But be added: "We are not overly concerned".

Traders told the Reuters news agency that the flare-up in the backwardation over the latter stages of this week reflected the perception that there was a large cash pricing requirement in the market. "Pricing" involves purchasing casb metal to cancel earlier hedging sales, thereby fixing the effective cost of physical purchases.

However, the high cash premium encouraged speculators to "lend" metal to the market by selling cash and buying forward, which capped the price rise.

Other LME metals followed copper's gyrations. The three months delivery aluminium price jumped to $1,700 a tonne early yesterday but closed at $1,646, down $23 on the day and $60.50 on the week.

News of a sharpish rise in LME stocks of the metal was cancelled out by the International Primary Aluminium Institute's reporting of a smaller-than-expected increase in primary production in September.

At the London bullion market the gold price ended the week with a test of the bottom end of its recent restricted trading range. The price closed yesterday at $382 a troy ounce, down 25 cents on the day and $2.20 on the week. Most of the fall happened on Thursday, when a wave of investment fund and commission house selling sent the price to a six-week low of $181.45 at the afternoon "fixing".

"There is still good demand under the market," a dealer told Reuters at that time, adding that the move looked the more dramatic because of the near moribund state of the precious metals markets recently.

Yesterday some traders were suggesting that a test of support at $380 was likely before the market made any further attempt on the upside. "I think people had got a touch complacent about the precious metals, leaving them vulnerable to a move like that seen on Thursday," one dealer said. "Sentiment has turned a touch bearish and it could fall another dollar or so, but I would look to buy into any dips," be added.

At the London Commodity Exchange cocoa and coffee futures staged modest rallies this week, but both were a little easier yesterday.

Cocoa market operators were cautious sellers as they nervously awaited this weekends elections in the Ivory Coast, the world's biggest producer.

Richard Mooney

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	1995 High	1995 Low
Gold per troy oz.	$382.00	-2.20	$390.70	$394	$373
Silver per troy oz	338.50p	-3.40	329.50p	375.50p	267.90p
Aluminium 99.7% (cash)	$1609.5	-62.5	$1734.50	$2149.50	$1609.50
Copper Grade A (cash)	$2762.5	-80.0	$2552.50	$3216.00	$2702.50
Lead (cash)	$650.5	+6.0	$651.00	$692.50	$538.50
Nickel (cash)	$7865.0	+25.0	$6877.5	$10160	$6947.5
Zinc SHG (cash)	$958.8	-16.5	$1067.5	$1208.5	$958.0
Tin (cash)	$6170.0	-80.8	$5520.0	$7175.0	$6095.0
Cocoa Futures Dec	$916	+19	$981	$1050	$830
Coffee Futures Nov	$2383	+29	$3863	$3297	$2354
Sugar (LDP Raw)	$308.6	+1.5	$317.3	$378.1	$289.2
Barley Futures Nov	$110.75	+3.00	$104.25	$113.00	$102.00
Wheat Futures Nov	$120.25	+4.05	$107.25	$120.25	$111.00
Cotton Outlook A Index	89.80c	-0.25	73.80c	116.80c	85.05c
Wool (64s Super)	445p	-6	440p	532p	475p
Oil (Brent Blend)	$15.795	-0.205	$16.25	$19.01	$15.06

Per tonne unless otherwise stated. p Pence/kg. c Cents lb. x Dec.

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1608.5-10.5	1645-47
Previous	1632-34	1669-70
High/low		1700/1648
AM Official	1654-55	1691-92
Kerb close		1656-8
Open int.	213,407	
Total daily turnover	64,029	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1370-90	1410-30
Previous	1385-95	1425-30
High/low		1450
AM Official	1400-10	1440-50
Kerb close		1420-30
Open int.	3,136	
Total daily turnover	1,247	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	650-51	650-51
Previous	648-50	649-49.5
High/low	654	655/651
AM Official	654-54.5	653-53.5
Kerb close		654-5
Open int.	32,489	
Total daily turnover	6,470	

■ NICKEL ($ per tonne)

■ TIN ($ per tonne)

■ ZINC, special high grade ($ per tonne)

■ COPPER, grade A ($ per tonne)

■ LME AM Official £/$ rate: 1.5715

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	382.3	+0.4	-	381.6	100	252
Dec	384.1	+0.3	384.3	383.4	45,135	106,944
Feb	386.1	+0.3	386.2	385.3	2,456	24,628
Apr	388.5	+0.3	388.3	388.0	200	9,930
Jun	391.1	+0.3	390.8	390.6	489	10,945
Aug	393.6	+0.3	-	-	42	2,870
Total					48,382	181,117

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	410.9	-0.3	410.0	410.0	13	470
Jan	409.9	-0.3	410.5	407.0	2,603	20,520
Apr	409.9	-0.6	411.0	409.0	32	1,553
Jul	411.1	-0.6	409.0	409.0	9	1,611
Oct	411.3	-0.6	410.0	410.0	118	126
Total					2,681	24,280

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	136.50	-0.18	137.25	136.50	337	4,995
Mar	138.00	-0.20	138.25	138.25	32	1,044
Jun	139.35	-0.20	-	-	50	125
Total					389	6,164

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	534.8	+4.3	-	526.5	155	136
Dec	537.0	+3.8	538.8	532.0	13,895	62,763
Jan	538.7	+3.8	-	-	8	25
Mar	543.8	+3.8	544.5	539.5	683	14,314
May	547.8	+3.8	545.5	545.0	58	6,821

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

Apr	1561	+6	1575	1555	36	1,056
Jul	1440	+2	1450	1435	32	290
Total					247	3,987

	Close	Prev
BFI	1666	1679

FUTURES DATA
All futures data supplied by CMS.

Spices
Black pepper prices continued to decline slowly, mainly because of continued selling pressure from the main supplier in Casu, Indonesia, reports Man Producten. Other sources adopted a much more reluctant approach. Demand for black pepper has been unusually low lately. Spot supplies were being offered at about US$2,500 a tonne. White pepper, in contrast, was showing a somewhat firmer trend due to which the price gap with black widened. We expect to see a much tighter supply position for this type of pepper until the new crop in becomes available in August 1996. Spot white pepper is available in small quantities at about $3,900 a tonne.

SOFTS

■ COCOA LCE (£/tonne)

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

■ CRB Futures (Base: 1967=100)

■ GSCI Spot (Base: 1970=100)

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

■ LIVE HOGS CME (40,000lbs; cents/lbs)

■ PORK BELLIES CME (40,000lbs; cents/lbs)

LONDON TRADED OPTIONS

■ ALUMINIUM

■ COPPER

■ COFFEE LCE

■ COCOA LCE

■ BRENT CRUDE IPE

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

■ OTHER

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	93.9500	-0.190	8.43	8.45	8.76
Austria		6.875	06/05	99.4300	-0.050	6.95	7.00	6.91
Belgium		6.500	03/05	96.2700	-0.220	7.05	7.08	7.03
Canada *		6.750	12/05	106.7500	-1.100	7.77	7.56	6.18
Denmark		7.000	12/04	94.2800	-0.420	7.90	7.85	7.81
France	BTAN	7.750	04/00	103.3750	-0.130	6.84	6.87	8.62
	OAT	7.750	10/05	101.3500	-0.280	7.55	7.50	7.37
Germany Bund		6.875	05/05	102.4600	-0.070	6.51	6.54	6.58
Ireland		6.250	10/04	87.7500	-0.300	8.23	8.16	8.14
Italy		10.500	04/05	92.2000	-1.930	11.89†	11.42	11.10
Japan	No 129	6.400	03/00	120.1520	-0.160	1.51	1.51	1.81
	No 174	4.600	09/04	112.8230	-0.200	2.80	2.71	2.92
Netherlands		7.000	06/05	102.9300	-0.060	6.57	6.62	6.60
Portugal		11.875	02/05	103.5200	-0.230	11.22	11.16	11.09
Spain		10.000	02/05	94.6700	-0.560	10.90	10.81	10.67
Sweden		8.000	02/05	80.1618	-0.260	9.27	9.36	9.63
UK Gilts		8.000	12/00	101-20	-10/32	7.60	7.60	7.36
		8.500	12/05	102-18	-17/32	8.16	8.07	7.84
		9.000	10/08	105-27	-18/32	8.26	8.16	7.92
US Treasury *		6.500	08/05	103-19	-6/32	6.01	5.96	6.18
		6.875	08/25	107-05	-12/32	6.34	6.30	6.52
ECU (French Govt)		7.500	04/05	98.3800	-0.120	7.74	7.74	7.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FF500,000

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100%

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE) Lira 200m 100ths of 100%

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

UK

■ NOTIONAL UK GILT FUTURES (LIFFE) £50,000 32nds of 100%

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
105	0-27	1-07	1-10	1-47	0-17	0-61	1-36	[illegible]
106	0-05	0-42	0-48	1-20	0-59	1-32	2-18	[illegible]
107	0-01	0-22	0-30	0-62	1-55	2-12	2-56	[illegible]

Est. vol. total, Calls 4504 Puts 1720. Previous day's open int., Calls 40455 Puts 34465

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

FT-ACTUARIES FIXED INTEREST INDICES

FT FIXED INTEREST INDICES

GILT EDGED ACTIVITY INDICES

UK GILTS PRICES

Other Fixed Interest

ECONOMIC DIARY – FORWARD EVENTS

TODAY: Ulster Unionist Party holds its annual conference in Portrush. Informal meeting of European Union (EU) environment ministers in Spain. Start of London Fashion Week.

TOMORROW: Clocks go back one bour in the UK and Ireland. Swiss general elections. Berlin state elections. Government leaders from six countries that border the Mekong river meet in Bangkok for trade talks.

MONDAY: Gross domestic product (preliminary estimate-third quarter). US budget deficit (September). EU finance ministers meet in Brussels. Mr Bill Clinton, US president, hosts visit by Mr Boris Yeltsin, Russian president. European Parliament in plenary session in Strasbourg (until October 27). EU agriculture ministers meet in Luxembourg (until October 25). Singapore, Kuala Lumpur markets closed for holiday. Mining and metal industry executives from all over the world are converging on London today for "metals week". Institute of Directors holds conference "Hong Kong: Best for Business" at Hilton Hotel, Park Lane, London.

TUESDAY: Monthly digest of statistics (October). CBI industrial trends survey (October). Six German research institutes issue economic report.

WEDNESDAY: Bricks and cement production and deliveries (third quarter). Mortgage possession actions and orders (third quarter). US existing home sales (September). Spanish parliament votes on budget. US/Japan car makers meet in Tokyo. SNCF railways strike. Taipei, Bombay bourses closed for holiday.

THURSDAY: New earnings survey - 1995 Part C: Analyses by industry. New vehicle registrations (September). Energy trends (August). US durable goods (September). EU fisheries council meets in Luxembourg. Meeting in Beijing on China/Hong Kong trade after 1997. ICI interim figures.

FRIDAY: Major British banking groups' mortgage lending (September). Digest of Agricultural Census statistics for UK (1994). US gross domestic product (third quarter-advance). Malaysian budget presented. Meeting of EU employment and social affairs ministers in Cordoba (until October 29).

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Saturday October 21 1995

Waiting for the next election

From Mr John Major's point of view, perhaps the most ominous development of the week has been the way in which a new stock-market high has coincided with a distinct shift towards a pre-election mood in London's financial markets.

The attention paid to the electoral calendar is scarcely surprising. Though Mr Major still has 17 months of elbow-room before the vote if he chooses to use it, the week's developments have raised the political temperature. The row over the prison service; the lingering effects of the party conferences; the sense that Mr Kenneth Clarke's imminent Budget will be his last opportunity to influence the public's feelgood factor; and the threat by the Ulster unionists to bring down the government unless Northern Ireland policy changes – all these have focused investors' minds on the vote to come.

Normally, these reminders that an election is on its way, coming at a time when the Conservatives stand so poorly in the opinion polls, might be *expected* to send the markets into gloom. Yet the FT-SE 100 index reached a new high on Wednesday, as the equity market resumed the upwards momentum that has gained it nearly 600 points since the rally started in March.

This enthusiasm does not necessarily mean that the markets welcome the prospect of a Labour government, though Mr Tony Blair has clearly gone some way towards neutralising their traditional mistrust of his party. From the Conservatives' point of view, this erosion of one of their traditional weapons – fear of Labour – must be a cause for concern.

Seen in a wider perspective, the traditional pattern of a sharp run-up in shares in the 18 months before an election appears to be reasserting itself, at least for the moment. In the year and a half before the 1979 election, the All-Share rose 30 per cent. It went up 42 per cent ahead of the 1983 election, and 61 per cent before the 1987 one.

Downward influence

These were all elections the Conservatives were expected to win. Before the 1992 election, where the outlook appeared to favour Labour, the rise was much more modest, a mere 19 per cent. In this case, though, the index had first risen 31 per cent before falling back in the nine months immediately ahead of the vote.

A repetition of this pattern is not inconceivable. Today's market is driven by liquidity, as takeover bids pump cash into investors' pockets. For the moment, the obvious home for that cash is the equity market, especially since there is every likelihood of more bids to come. The once-in-a-lifetime restructuring of the utility industry is not yet complete; the probability that any future Labour government would subject all takeover bids to greater scrutiny is also likely to lead companies to act sooner rather than later. And fears of a crash in US technology stocks, an important downward influence on the UK market earlier this autumn, receded this week.

Investment dilemma

Still, even if the short-term outlook suggests a continuation of the pressures that have pushed the market upwards, there are medium-term forces at work in the other direction. Whenever equities rally without a comparable rise in gilts, there is room for doubt as to how durable the bull market will prove. When this year's rally started in the spring, bonds and equities moved up together. Since June, however, their paths have diverged. The FT-SE Actuaries All-Share index has risen 8 per cent over this period, but long-dated gilts have fallen 3 per cent in price. A month ago, long gilts were yielding just under 8 per cent; they are now well above that magic figure.

Last month's gilt auction flopped; the prospect for next week's is rather better. Mr Clarke appears to be making heroic efforts to persuade the markets that government spending is under tight control, despite the relatively poor performance of official borrowing so far this year and the clear desire of Tory backbenchers for tax cuts.

Even a successful auction next week will not resolve the investment dilemma, however. As long as bond investors continue to share the Bank of England's forebodings about future inflation, the divergence between gilts and equities will threaten to bring the stock market rally to an end – perhaps an abrupt one. Yet the political pressures on Mr Clarke must incline him towards taking greater risks on inflation than the Bank and the gilts market would wish. And Labour's search for revenues to finance its electoral promises is likely to point it back towards the corporate sector, already targeted for a windfall levy on privatised utilities. If Labour does make it clear that it intends to move in this direction, Mr Clarke may be tempted to grab the money first.

In the short run, electoral peril for the government can co-exist with a continued stock market rally. In the longer term, however, the evolution of Labour policy and the Conservatives' response to the threat of defeat may make that co-existence more fragile.

Chrystia Freeland on the prospects for a Communist-nationalist alliance in Russia

When the reds turn to brown

Four years after it was first declared dead and buried, communism is again haunting Russia.

The Communist party was briefly outlawed after the failed 1991 coup against then president Mikhail Gorbachev, and seemed perpetually discredited. But it now leads in most opinion polls and is expected to win more votes than any other party in parliamentary elections in December.

Some analysts predict that an alliance of Communists and hardline nationalists will emerge as the dominant political force in the new Russia, controlling a majority of seats in the new legislature.

One of the most striking signs of the power of what Russian analysts call the "red-brown" bloc is the magnetic pull it already exerts on Russia's leaders. As recently as two years ago, the Russian government's rallying cry was about dismantling the old communist regime – which it vilified in phrases borrowed from Mr Ronald Reagan, former US president – and replacing it with a new democratic market economy. Last week Mr Victor Chernomyrdin, the prime minister and leader of a pro-government party, went out of his way to accommodate his communist opponents.

"I have absolutely normal relations with the communists," he said. "I was communist myself and a member of the Central Committee of the Communist party and I do not regret it."

Ironically, the rehabilitation of communism and the growing appeal of hardline nationalism come at a time when the policies of the anti-communist reformers who came to power in 1991 appear finally to be paying off. Inflation is lower and the rouble has stabilised. Gross domestic product, which declined by 19 per cent in 1992, 12 per cent in 1993 and 15 per cent last year, is expected to fall by only 5 per cent this year. Western economists say it could grow by up to 10 per cent next year.

But Russians have yet to be affected by any economic "feelgood factor". The price of austerity has been a fall in consumption and real wages and a rise in unemployment. Many people, including soldiers, teachers and doctors, are being paid their wages with a delay of several months. Life expectancy has plummeted, and Russia has become a turbulent country in which civil wars, attempted coups and violence seem commonplace.

Even in the countries of eastern Europe, where the communist order was less deeply established and economic recovery came more quickly, disgruntled voters have punished reformers for the pain of the transition by replacing them with communist or left-wing parties. In Russia, the backlash could be even greater; in this month's municipal elections in the southern Russian city of Volgograd, Communists won 22 ont of the 24 seats.

A second source of anger is the popular belief that members of the elite have used market reforms to transform the prerogatives they enjoyed under communism into the even more pleasant rewards of capitalism. Most Russian voters are convinced that corruption is common at the highest levels of government: in almost every region of the country a local factory allegedly given away to its director at a bargain price serves as a focus for public resentment of the country's leaders.

For Communist party leaders, government corruption is a particularly effective campaign slogan because it allows them to distinguish between the good, honest rank-and-file communists (themselves) and the corrupt communist leadership (the current government) which oppressed Russians under the old regime and continues to do so with a different ideology today.

"There were two [communist] parties," said Mr Aman Tuliev, the number two candidate on the Communist party list. "There was the party of real people, the honest workers, who believed in their leaders and then there was the party of the leaders, which sold its people down the river."

In exploiting popular discontent over economic reform and corruption, the communists have forged alliances with the hardline nationalists, particularly the Congress of Russian Communities. This new nationalist party was formed only this year and is organisationally weak, but its deputy leader, Mr Alexander Lehed, a former general, regularly beats all other Russian politicians, including President Boris Yeltsin, in opinion polls.

Predictions of a strong showing for the communists and nationalists in December's parliamentary elections have become conventional wisdom in Russia. But many western diplomats argue that a "red-brown" triumph would not have much impact on the country. Constitutionally, this argument goes, the powers of parliament are very limited and thus even a parliament controlled by the communists and nationalists would have little direct influence over Russian politics or the economy.

Source: International Federation of Electoral Systems Russia National Survey, July 1995

"We have been going on the theory that the elections don't really matter that much," one western ambassador says. "Even if the bad guys take over the parliament they can't do that much damage."

Many observers also expect the communists and nationalists to moderate their sometimes vehement campaign rhetoric if they achieve real power. Mr Gennady Zyuganov, the leader of the Communist party, has been encouraging western and Russian businesspeople to take this view over a round of lunches and suppers at which he has worn smart suits and positioned himself as a Russian version of the technocratic Euro-communists now in charge of Hungary.

Furthermore, in contrast with the gratuitously offensive Mr Vladimir Zhirinovksy – Russia's best known ultra-nationalist – Mr Lebed, the rising star of the nationalist camp, appeals to moderate patriots as well as hardliners. Like America's favourite former general, Mr Colin Powell, Mr Lebed has shied away from committing himself to specific policies, relying instead on his aura as an officer and a gentleman to attract voters.

But, as the ratings of the communists and nationalists have been steadily rising in opinion polls, other analysts have begun to warn that Russian communists and their new nationalist allies pose a very real threat.

"If our Communist party were a good, charming, reformist party of a social-democratic nature, which has embraced the principles of the market, private property and democracy, the free press and a policy of peace, then I would not attach any importance to the outcome of the elections," says Mr Yegor Gaidar, who first launched Russian reforms as prime minister in 1992 and today leads Russia's Choice, a democratic, pro-reform party.

"But it requires enormous ignorance to confuse our Communist party with the [ex-communist] parties of eastern Europe," Mr Gaidar says. In a reference to their growing links with nationalists, he says that Russia's Communist party "is shifting not from red to pink but from red to brown. Their ascent will mean the ascent of a party of destruction, a party of war."

As Mr Gaidar points out, the greatest impact of a communist/nationalist dominated parliament is likely to be felt in foreign policy. Despite popular dissatisfaction, market reforms are firmly entrenched in Russia with more than 80 per cent of the workforce employed by at least partially privatised enterprises. Reversing this change in ownership would be well nigh impossible.

Striking a note of robust Russian nationalism offers an easier way for the "red-browns" to win support. Over the past few months Russia's government has already begun to shift to a more nationalist and anti-western stance, objecting to Nato air strikes in Bosnia, opposing the eastward expansion of the Nato alliance and pledging to fund the construction of a nuclear reactor in Cuba.

A strong showing by communists and nationalists in the December parliamentary elections could well exacerbate this shift. In the months following that vote, western politicians might well discover that Russia's new communists have been converted to capitalism, but are almost as hostile to the west as their Soviet predecessors were.

Presidential race runners

December's parliamentary elections will be an important measure of public sentiment in Russia. But it is the presidential ballot scheduled for next June that will decide who really rules Russia.

Under the Russian constitution, the presidency dwarfs all other political institutions, and it is ultimately the president who determines the country's domestic and foreign policies.

Although he drew the support of only 7 per cent of respondents in a recent opinion poll, Mr Boris Yeltsin, Russian president, is still the favourite of many analysts. A minor heart attack in the summer raised questions about his physical ability to run the country, but he has emerged from a September vacation as a vigorous leader who appears keen to stay in power. He has already survived four turbulent years in charge.

But – as his low standing in opinion polls suggests – Mr Yeltsin could also become a victim of the deep-seated public discontent with the hardships accompanying economic reforms.

Mr Victor Chernomyrdin, prime minister, was once viewed as Mr Yeltsin's heir-apparent. But he is now thought to have a less promising political future.

Our Home is Russia, the pro-government party be leads, has put on a lacklustre performance in recent regional elections and in opinion polls. And there is speculation that Mr Yeltsin, anxious to shift the blame for Russia's economic difficulties on to someone else, wants to sack him.

There is more interest in the chances of the two leaders whose parties appear set to dominate the parliamentary elections: Mr Gennady Zyuganov, the Communist leader, and Mr Alexander Lebed, the former general who has emerged as the poster pin-up of the nationalist Congress of Russian Communities. Both have potentially appealing messages, but it is not yet clear how effective either one will be as a messenger.

Although Mr Zyuganov leads Russia's largest and best organised party, he is a rather grey individual. Mr Lebed, a charismatic officer who inspired the loyalty of his soldiers, may be a better figurehead for the "red-brown" bloc; his appearances on the campaign trail, however, have been disappointing.

Such is the random nature of post-Soviet politics that the presidential race could even be won by a dark horse candidate who has not yet emerged on the political scene. Observers point to the strong showing in recent Latvian elections of Mr Joachim Siegerist, a largely unknown German citizen who speaks only broken Latvian.

New life from a watery grave

European oil companies would like to follow US practice in dumping old rigs at sea, says **Robert Corzine**

The scrapping of obsolete oil production platforms in the North Sea has become a bitter political issue in western Europe. The attempt by Shell UK to dump the obsolete Brent Spar storage installation in the Atlantic ocean earlier this year galvanised European public opinion against disposal at sea and forced the company to back down.

But a consensus between environmentalists, oil companies and federal and state governments in the US allows disused platforms in the Gulf of Mexico to be dumped at sea to create artificial reefs. Far from harming the environment, some experts believe old rigs enhance it by providing a habitat in which fish and other marine life can breed more easily.

Greenpeace, which organised the successful campaign to force Shell to abandon the sinking of the Brent Spar, has not objected to the US "rigs to reefs" programme. However, Greenpeace this week stressed that the absence of an objection "was not the same as supporting it".

New home: Shell's Auger platform may one day be a marine habitat

Nevertheless, the programme has not fallen foul of the environmental movement in the US, which demonstrated its power by establishing a moratorium on new exploration drilling off much of the Pacific and Atlantic coasts and stiff anti-pollution laws in oil-producing areas such as the Gulf of Mexico. This has given hope to the oil industry that it could persuade European governments to adopt a similar programme for the North Sea.

The creation of artificial reefs to attract fish has been common in the US for decades. Many of the surplus Liberty ships that were mass-produced by American shipyards during the second world war were sunk off Texas. They are now being joined by armoured vehicles made surplus by the end of the cold war.

In 1985 the US Congress decided that the US should have a national artificial reef plan, and that disused oil platforms could be part of it. Since then, 100 platforms belonging to 36 companies have been used to create such reefs.

Most or all of these have been in the Gulf of Mexico, the cradle of the US offshore oil and gas industry. Industrial historians can trace its 50-year development through the thousands of production platforms that stretch from the mudflats of the Mississippi delta to the deep water of the open ocean hundreds of miles from land.

As older and smaller fields reach the end of their productive lives, large numbers of the 3,800 or so remaining platforms on the US outer continental shelf will soon be declared redundant. The US government estimates that over the next five years as many as 150 a year will need to be removed.

For obsolete platforms located in inshore waters, removal is relatively easy and cheap, according to the US oil companies. Giant cranes lift them on to barges for transport to land where they are cut up as scrap.

But the costs of disposal multiply according to the depth of the sea, distance from land and size of structure. A growing number of platforms in deeper waters or further offshore are being used to build artificial reefs in the Gulf of Mexico.

There are eight "planning" areas in the Gulf of Mexico where artificial reefs can be created. No federal money is involved in the programme. Instead, companies "donate" their obsolete platforms to the appropriate state government, such as Texas or Louisiana. They must also hand over half the cost savings made by not having to dispose of the platforms on land. The funds pay for long-term monitoring of the reefs by the states and research into their effects on marine life.

In exchange the government absolves the companies of any future liabilities. That, says Mr Villere Reggio, an official with the Minerals Management Service, a federal agency which oversees the US offshore oil industry, is "key to the programme's success".

He says that although the programme has been limited in scope so far, initial studies suggest it is working well and it is expected to expand in coming years.

Fish stocks around the reefs have grown steadily, although scientists remain divided as to whether the reefs boost stocks. "The age-old question that must still be answered is whether the reefs just attract fish or actually help produce them," Mr Reggio says.

Local commercial fishermen in the Gulf of Mexico have supported the programme after initial opposition, says Mr Reggio. "But they dropped their opposition when the benefits of the programme became apparent," he says.

One reason why there has been little opposition from environmentalists is that all pollutants and hydrocarbons must be removed from platforms before they can be considered for disposal. Such a requirement would prevent Brent Spar from being used as part of a reef – there is too much oil and sludge left in its tanks and pipes to qualify. But most conventional North Sea platforms could be converted to reefs once stripped of potential pollutants and cleaned.

Despite the enthusiasm of the oil industry for a North Sea "rigs-to-reef" programme, however, there remains strong opposition in Europe to dumping obsolete rigs at sea. Fishing organisations would still like to see most platforms removed entirely.

And Greenpeace this week repeated its call for the complete removal to land of the vast majority of the 400 or so North Sea platforms. Mr Geir Anderson of Greenpeace International says there is no need for such reefs in the North Sea. "We want everything removed as far as technically possibls."

هكذا من الأصل

The warning that some brands of the pill could cause deep-vein thrombosis has sparked a furious reaction, says **Clive Cookson**

Fine line between alarm and caution

When drug regulators receive new evidence about the side-effects of mass-market medicines, they have to tread a delicate balance between warning doctors as quickly as possible and causing damaging alarm and confusion.

Yesterday's furious reaction to the alert from the government's Committee on Safety of Medicines about the increased risk of blood clotting from seven popular brands of oral contraceptive, taken by 1.5m women in the UK, shows how hard it is to get the balance right.

The committee, a statutory body composed of independent medical and pharmacological specialists, faced a barrage of outrage from all sides.

Doctors, nurses and family planning staff accused the committee of causing unnecessary panic among users – and risking an epidemic of unwanted pregnancies – by rushing out a warning without consulting professionals in the field.

They said that the increased risk of deep-vein thrombosis (clotting) identified by the committee on the basis of three unpublished studies was not serious enough to justify the action.

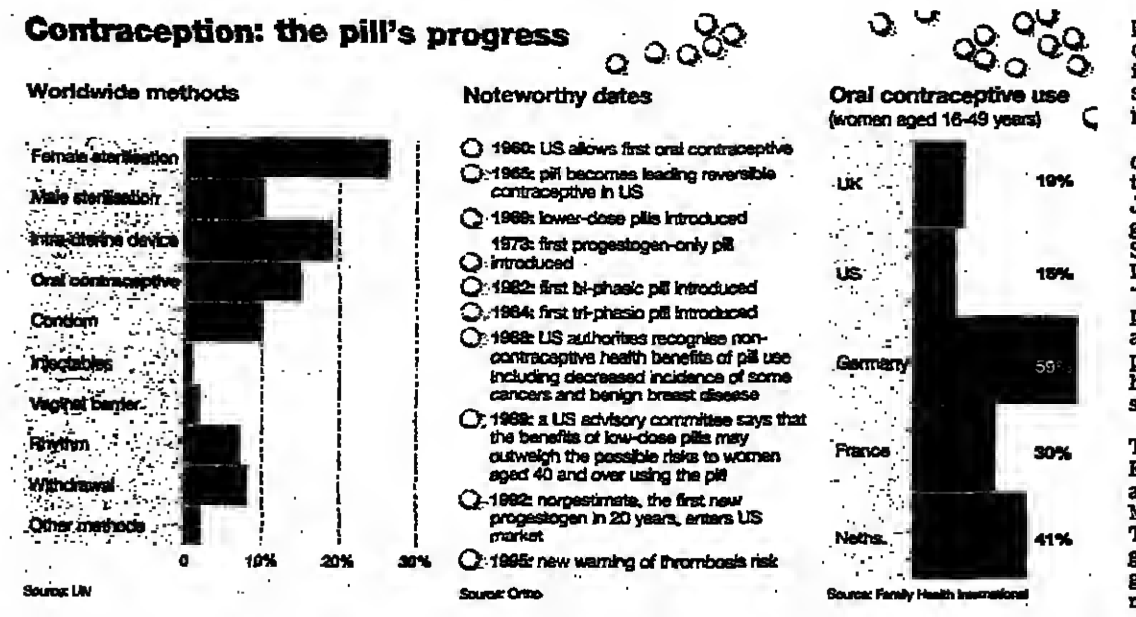
The British Medical Association's GPs committee is one of several organisations writing protest letters to Professor Michael Rawlins, the CSM chairman. "We are furious," said Dr Peter Holden, a committee member. "This is not the same as having a batch of contaminated drugs out in circulation, where this kind of handling would be right."

The three manufacturers affected were equally vocal in rejecting the committee's action. Schering of Germany, Akzo Nobel of the Netherlands and American Home Products insisted that their products – "third-generation" combination pills introduced over tba past decade – were safer overall than the older brands to which many women were likely to switch in response to the warning.

But the most explosive reaction came from Professor Walter Spitzer of McGill University in Montreal, a Canadian epidemiologist who is in charge of one of the three studies cited by the committee. He flew overnight from a medical conference in Montreal and spent three hours in London yesterday, denouncing the committee and the way it had treated his data, before returning to Canada.

Prof Spitzer's rhetoric extended to an accusation that the government's medical advisers on the committee and Medicines Control Agency, the UK drugs licensing body, had broken the Hippocratic Oath by their action. "The core of the Hippocratic Oath is, above all, do no harm," be said. "Every time you create an epidemic of anxiety you do harm. In my opinion there has been a serious breach of acceptable health protection procedure. The likely result is an unnecessary and harmful 'pill scare'."

More substantively, Prof Spitzer said the hazard on which the committee focused, deep-vein thrombosis, was "a treatable disorder which is not nearly as serious as heart attacks or stroke." There was preliminary evidence, he said, that the new generation of low-dose combined pills, represented by the seven brands, could protect against beart attacks – and this might outweigh any slightly increased risk of thrombosis.



The risk of thrombosis is about five in 100,000 for healthy young women who are not on the pill. Doctors have known since the 1970s that oral contraceptives treble this risk to about 15 in 100,000. Now, if the studies cited by the CMS are right, the risk is doubled again to 30 in 100,000 by taking third-generation pills.

According to Prof Spitzer, the number of extra deaths caused by the third-generation pills in the UK might be about two per year, whereas between five and 10 deaths from heart attacks might be prevented.

But Prof Rawlins, speaking for the committee and Department of Health, strongly refutes Prof Spitzer's accusations. "In no way was our action premature," he says. "There is now clear evidence of an increased risk of thrombosis with these pills and it is rigbt that women using them and doctors prescribing them should have been made aware of this as soon as possible."

He points out that Prof Spitzer's study was just one of three, "all of which show the same thing". The other two studies come from the World Health Organisation in Geneva and from a computerised system maintained by family doctors in the UK.

On the other side of the fence, people and organisations who generally favour stronger regulation of pharmaceuticals were also critical of the committee – not for having issued the warning but for its secrecy and lack of information in its statements.

"Without the unpublished data no one can really judge whether or not this action was justified," says Dr Joe Collier, consultant pharmacologist at St George's Hospital Medical School, London, and editor of the Drug and Therapeutics Bulletin. "Doctors cannot tell on the evidence presented whether they should be advising patients to switch to other pills. The committee really does not help its case with this level of secrecy."

The seven brands affected are Triadene, Femodene and Femodene ED (made by Schering); Marvelon and Mercilon (Akzo Nobel); and Minulet and Tri-Minulet (AHP). They contain a synthetic progestogen hormone – either desogestrel or gestodene – with an oestrogen hormone.

They represent about half of the UK oral contraceptive market in terms of prescriptions but 70 per cent by value, because as newer products introduced over the past decade they command a considerably higher price than the older brands that are still on the market. For example, as Schering pointed out, a three-month course of Femodene costs £5.70 compared to Microgynon, an older contraceptive which costs £2.85 for three months.

Therefore the industry will lose money – and, as conspiracy theorists were pointing out yesterday, the government will make a saving on the National Health Service drugs bill if large nnmbers of women switch pills.

But the UK represents only a small part of the world market for oral contraceptives. The pill is much more popular in several other European countries.

So the manufacturers are waiting anxiously to see what view other regulatory authorities in Europe and North America take of the three unpublished studies. Most vulnerahle is Schering, the world's largest manufacturer of oral contraceptives; its total contraceptive sales amounted to DM1.41bn (£635m), or 30 per cent of the company's turnover last year.

A key meeting will be held in London at the end of next week when the European Committee for Proprietary Medicinal Products – the EU's equivalent to the committee – reviews the data. Now that Europe is harmonising its drug regulations, the European committee's advice will be very influential.

With the pharmaceutical companies under constant criticism from family planning advocates for the relatively modest effort they have made over the past few years to develop improved contraceptives, it will be sad if one of the industry's main innovations turns out to have a safety flaw.

Whatever happens to the third-generation pills, however, everyone involved in drug prescribing bopes that the MCA will prepare the ground better and issue more information next time it pnts ont a safety warning.

Taking stock with a white elephant

Mark Nicholson and **Richard Lapper** on India's outmoded paper-based share trading system

In most parts of the world, stockbrokers tend to be identifiable by their briefcases and portable telephones. in India, they are as likely to be carrying jute sacks, mango crates or suitcases hulging with share certificates.

For India's stockmarkets, capitalised at $135bn (£85.4bn) and listing more than 7,000 companies, still rely on the physical transfer of sbare certificates for all transactions. Since most shares are issued in small lots and transfers require a deed for each share, brokers toting large bundles of paperwork are a common sight in and around the country's 23 stock exchanges.

"During the monsoon you can see share certificates in puddles of water in some offices. You know you will never see them again," says Mr James Hogan, who manages the Indian share custody operations of HSBC, the UK-based banking group. Shares can be damaged so much that they become worthless as proof of ownership – or even completely lost.

One consequence of this paper-based system is that it typically takes up to 28 days to settle transactions – compared to five days or less in the markets of most advanced economies. But the registration of new ownership can take even longer, since all shares and accompanying transfer deeds must be taken to the company registrars. They eudit and check each document, and return any where they bave queries – for example, over illegible signatures.

The process is labour-intensive and time-consuming – and in 10 per cent of share transactions takes more than six months. Mr Hogan cites a case in which a share certificate has not been registered more than two years after the original deal.

Delays mean that the risk of a share transaction going wrong is high. About a fifth of the transactions on the Bombey Stock Exchange, India's biggest, result in "bad deliveries" – wbere paperwork is queried by one or other party.

The horrors of the ontmoded paper-based system are compounded by the fragmentation of the country's equity market. Millions of small shareholders own roughly half the shares, which allows company owners – known as "promoters" – to control their businesses with relatively small share stakes. If they spot an investor building a stake that threetens this, they can exploit opportunities to delay or refuse registration of changes of ownership.

The delays, risk and inefficiencies of India's paper-based share settlement system are widely regarded as the biggest deterrent to the entry of foreign investors into tha market. For those which bave invested almost $4bn in India's stockmarket since it opened to foreigners in 1992, it can be a quagmire, says the head of one of the biggest foreign institutional investors in Bombay. "India is right down at the bottom – maybe through the bottom – of efficiency in share settlements," he says.

The system is "the single most important thing, to address" in the indian market, says Mr John Moore, head in India of Barings, the merchant bank recently purchased hy Internationale Nederlanden Group, the Dutch bank.

The system is costly for investors who pay higher charges on share transactions than elsewhere. Typically an investor pays between $500 and $600 on a $250,000 transaction in India, as well as 0.5 per cent of the value of the deal each year for custody services. In other markets, investors rarely pay more than $100 on such a transaction, with annual costs unlikely to exceed 0.05 per cent of the deal's value.

Brokers toting bundles of paper are a common sight around the 23 exchanges

But it is also expensive for the companies issuing shares on the Indian stockmarkets. All this could be about to change. At the end of this month the Securities and Exchange Board of India, the stockmarket regulator, plans to publish regulations that would pave the way for an electronic settlement system and the eventual disappearance of share certificates.

The most important element is the creation of depositories that would register share ownership on computers, eliminating the need for paper certificates. Transactions would be recorded electronically, in principle making settlement almost instantaneous.

Mr Manmohan Singh, India's finance minister, recently said the introduction of depositaries was the most important remaining reform in the four-year-old programme to modernise India's capital markets. Foreign investors say the reform could unlock billions of dollars of foreign portfolio investmeot, perhaps immedietaly doubling inflows which have recently averaged between $180m and $200m a month.

It would also reduce costs for companies seeking to issne new capital. And by reducing the ability of companies to manipulate share registers, it could make mergers and takeovers easier. This would allow consolidation in the corporate sector and the threat of takeover could encourage better management and greater efficiency.

"It's a huge step," says the head of one big Indian brokerage. "People have no Idea bow far it can change the structure of the market."

Some critics argue that the government's reforms do not go far enough and that the reform is not sufficiently radical. Foreign investors say the government's plans to allow more than one depositary to do business may create unnecessary confusion.

There are also questions about wbether investors and companies will be prepared to switch to the new system – there will be no compulsion on companies to use a depository. But Mr R. Chandrasekaran, managing director of tbe Stock-Holding Corporation of India, which plans to open a depository next year, believes most will. The lower costs of issuing shares and registering them will make the new system attractive, he says.

Mr Pradip Kar, executive director at the Securities and Exchange Board of India, agrees. "Market forces will drive companies towards the use of depositories," he says.

"By the end of next year a significant amount of institutional trading in specific stocks has e good chance of being scripless," says a Bombay-based stockbroker.

Indian retail investors may still choose to keep their precious shares under their mattresses for some time to come. But India's financial institutions, et least, will be able to reserve their mango boxes for more conventional uses.

Classic tales of revival

TV tie-ins are a boost for the book trade, says **Alice Rawsthorn**

Critics have given it mixed reviews. Literary purists loathe it. Bnt after only four episodes, the BBC's adaptation of *Pride ond Prejudice* has attracted a weekly audience of 11m and Jane Austen's 182-year-old novel is climbing the bestseller lists.

Penguin has sold 80,000 copies of the novel since the series started and has sold out of the "behind tbe scenes" book on the making of the series it prodnced with the BBC. Everyman bas almost sold ont of its £9.99 hardback edition and Wordsworth, the cut-price classic publisher, has sold 10,000 of its 99p paperback in the past month.

The *Pride and Prejudice* revival follows a surge in sales of George Eliot's *Middlemarch* after the BBC series two years ago. Publishers are now hoping for a similar reaction to the forthcoming film and television versions of other classics including Thomas Hardy's *Jude the Obscure*, Henry James's *Portrait of a Lady*, George Eliot's *Daniel Deronda*, Josepb Conrad's *Nostromo* and two more Jane Austens, *Emma* and *Sense and Sensibility*.

"Sometimes a TV series reminds people how good a classic is and sometimes it persuades them that they aren't as inaccessible as they thought," says Mr Tony Lacey, publishing director of Penguin, part of Pearson, owner of the Financial Times. "It's great for us. *Middlemarch* was brilliant. And it's anyone's guess where *Pride and Prejudice* will end up."

Pride and Prejudice could not have been better timed for the UK book trade. A number of large publishers, including Penguin and HarperCollins, announced job losses this summer after months of lacklustre sales and steep increases in both anthors' advances and paper prices.

The industry has since been flung into chaos by last month's collapse of the net book agreement, the 95 year-old pact that prevented retailers from discounting the prices of new books. The agreement had been unravelling for some time, but its final demise was so sndden that publishers have been propelled into a new era of haggling over prices.

Publishers badly needed a success this autumn. Prices of classics have been under pressure since the launch of Wordsworth in 1987. Established publishers, such as Penguin and Oxford University Press, have since cut the prices of their popular titles.

But classics are cheap to prodnce as they are ont of copyright, which means anyone can publish them without paying royalties to tbe author's estate. If a classic sells for £2.99, the retailer takes £1.49, leaving the pnblisher with a £1.20 profit after spending 30p on production.

Films and television series have long provided fillips for sales. Penguin reprinted Emily Brontë's *Wuthering Heights* with a cover picture of the actor, Laurence Olivier, aa Heathcliff, after the success of MGM's 1939 film version. Since the early 1970s the BBC and ITV have sold tbe exclusive rights to "tie-ins", whereby pnblishers pay a fee or royalty to put a still from the series on the cover. The most successful was Penguin's "tie-in" for Granada's 1981 adaptation of Evelyn Waugh's *Brideshead Revisited*, whicb sold 420,000 copies in the UK.

Sales of standard editions also benefit from films or television series. Publisbers that miss ont on "tie-ins" often produce "cod covers", special editions witb pbotographs of appropriate period images, such as flickering candles or a country house.

The recent classics revival was triggered by the success in 1993 of Martin Scorsese's film of Edith Wharton's *The Age of Innocence*, which was quickly followed by the BBC's *Middlemarch*.

Penguin sold 61,000 copies of *The Age of Innocence* in three months after the film came ont in the UK, having sold just 2,000 the year before. It now publisbes nine Wharton novels, compared with three before.

The OUP doubled sales of *Middlemarch* during the year of the series. Penguin sold 80,000 copies of its "tie-in" and 40,000 of tbe standard paperback in six montbs, against sales of 30,000 in the previous year.

Subsequent BBC dramas, Edith Wharton's *The Buccaneers* and Charles Dickens' *Martin Chuzzlewit*, were more modest snccesses. Bnt *Pride and Prejudice* now seems set to outsell *Middlemarch*. "It's got everytbing," said Mr Clive Reynard, chief editor of Wordsworth. "Boy meets girl. Boy loses girl. Boy gets girl."

Publishers expect *Emma* and *Sense and Sensibility* to be as popnlar. Random Honse, Everyman's US distributor, has already increased its order of *Sense and Sensibility* from 5,000 to 50,000 in preparation for this winter's release of the film starring Emma Thompson and Hugh Grant.

"It's a lively read like *Pride and Prejudice*", says Mr Lacey. "And *Portrait of a Lady* could have the same effect on Henry James as *The Age of Innocence* on Wharton. Bnt I wonder about *Nostromo* [next autumn's BBC classic]. It's a wonderful book, but rather dark and difficult for a bestseller."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main internadooal languages.

High German tax rate not incentive to take risk

From Professor Ira Sohn.

Sir, Chancellor Helmut Kohl's call to Germans to become risk takers by founding new companies in order to overcome the country's unemployment crisis ("Kohl calls on Germans to become risk takers", October 17), might be an appropriate option if the risk-return trade-off could be improved.

As it stands, the corporate tax rate in Germany, at 45 per cent, is the highest among the leading industrialised countries and incomes above $85,000 a year of single people are taxed at a punishing rate of 56 per cent.

With the resulting after-tax income, what rational young person would be willing to assume the risk of an entrepreneur?

Ira Sohn,
professor of finance,
Montclair State University,
Upper Montclair,
New Jersey 07043, US

Providing pensions for all

From Mr Nigel Wilkins.

Sir, It is difficult to escape the conclusion that the only way a decent standard of living can be maintained into old age for all in the UK is through compulsory pension contributions along the lines proposed by Frank Field MP.

The problem is how to overcome the existing limitations of private pension arrangements, particularly the prohibitive cost of providing the low-paid with personal pensions.

Perhaps one method would be through introduction of a pension scheme through National Savings, offering a guaranteed index-linked return. This would also belp restore confidence in personal pensions by providing a benchmark against which returns from private sector pension schemes could be judged.

Nigel Wilkins,
8 Petersham House,
Harrington Road,
London SW7 3HD, UK

Discipline that stabilises exchange rates

From Mr Z.H. Schloss.

Sir, In their letter (October 16), Professor Steve Hanke and Sir Alan Walters seem to envisage only one kind of regime capable of producing stable exchange rates, namely currency boards. (Under the other regime which produces a similar effect, the use of a foreign currency as legal tender, there is no exchange rate.) The drawhack of a currency board regime is that it allows no autonomous change at all in a country's monetary base and bence no independence whatever in monetary policy.

There have, however, been long periods of stabls exchange rates between countries with monetary systems that allowed for a considerabls degree of autonomous change in their monetary bases.

These periods of exchange rate stability occurred when the currencies concerned were subject to the discipline of convertibility. This restrains the growth of credit, and therefore of mooey, by keeping alive the threat of it baving to be repaid in a medium the availability of which cannot be Increased without considerable cost.

The price of this combination of stable exchange rates with a fair degree of monetary independence is the risk of occasional financial crises, which seem to be necessary to keep the discipline of convertibility effective.

Floating or unified regimes are by no means free from the threat of crisis either, though in their case it will find expression in a large fall in the exchange rate or severe monetary contraction respectively.

Z.H. Schloss,
49 Dorset Drive,
Edgware,
Middlesex HA8 7NT, UK

Harmful effects of Emu both before and after transition

From Mr Anthony Norman.

Sir, Mr James Forman-Peck (Letters, October 17) does not go far enough in his analysis.

The harmful impact of European Monatary Union will be felt not just after but, more severely, before the proposed transition.

The use of a specific target date, combined with budgetary convergence criteria beyond most countries' reach, are likely to exert a progressively unstable force on main economic variables prior to Emu completion. French woes are just the beginning of a deflationary, beggar-thy-neighbour, speculators' paradise.

Paradoxically, the ensuing chaos will only illustrate the impossibility of uniting structurally diverse economics via a pre-announced timetable.

Perhaps the only feasible transition method would be an overnight, unsuspected *fait accompli*. At least this would only prodnce tha harmful effects of Emu after its imposition. However, I am sure the undemocratic nature of such a move would never appeal to our friends in Brussels.

Anthony Norman,
Cavendish Equity,
82 Great Eastern Street,
London EC2A 3JL,
UK

Concerns over benefits of private finance initiative

From Ms Janet Salmon.

Sir, I note in your editorial "PFI in focus" (October 16) that yon believe the principles underpinning the private finance initiative are sound, and could bring "significant benefits to both taxpayers and consumers if applied sensibly".

Allow me to disagree. Local communities in the UK are concerned that the use of private finance for the redevelopment of hospital sites will not "simply extend contracting out the design, management and financing of public sector investment projects".

The public, local community and taxpayers, and the Community Health Councils do not know the ramifications of PFI on the provision of medical services, as they are not allowed to assess the bids, and the final decision will be taken by the chief executives and boards of the trusts.

If a private company owns the hospital buildings it may influence the provision of services, for example increasing the percentage of private beds versus National Health Service beds, looking for profit rather than meeting the priorities and needs of the local community.

The hospitals and their land are public assets, built and maintained by taxpayers, past and present. If the land is sold or the buildings redeveloped, the public should be formally consulted, prior to any bid being accepted, and the impact on services should be spelt out.

"Value for money" is subjective – but if smaller buildings are being proposed, as at The West Middlesex Hospital, in west London, so they can be turned into offices at a later stage, I would suggest the medical needs of the taxpayers and consumers are not paramount.

PFI is a complex issue that could have long-term ramifications for the National Health Service and each of the 24 hospital proposals needs to be evalnated carefully, particularly in these changing political times.

Janet Salmon,
43 Montague Road,
Richmond,
Surrey TW10 6QJ, UK

CURRENCIES AND MONEY

MARKETS REPORT

Lira sinks

By Philip Gawith

Political tensions in Italy yesterday rippled across the foreign exchanges leaving the D-Mark as the big winner.

Currencies like sterling and the dollar suffered at the hands of the stronger D-Mark, despite the absence of any important domestic developments.

The dollar lost nearly two pfennigs to reach its lowest level in two months, closing in London at DM1.3979 from DM1.4141. Against the yen it finished at Y100.055, from Y100.69, after dipping below Y100 for a while.

The lira, meanwhile, lost nearly L20 on the day to finish at L1,145, from L1,128 - the lowest level in 11 weeks.

Sterling lost nearly two pfennigs against the stronger D-Mark, closing at DM2.2031 from DM2.2223. It was slightly firmer against the dollar, at $1.576, from $1.5715.

Another big mover was the Swedish krona, which rallied to SKr4.7680 against the D-Mark on rumours of an early entry into the ERM, before also falling victim to generalised D-Mark strength, and closing at SKr4.798.

In India, meanwhile, central bank support was insufficient to prevent the rupee falling to a record low of Rs35.7 against the dollar. The currency has fallen by around 12 per cent in two months. Analyst said it was the result of a slowdown in foreign capital inflows and a widening deficit.

■ Pound in New York

Oct 20	—Latest—	-- Prev. close --
£ spot	1.5785	1.5765
1 mth	1.5754	1.5754
3 mth	1.5732	1.5742
1 yr	1.5621	1.5625

■ The price action in curreocies yesterday was a classic example of what integrated, global markets can mean in practice, as political events in Italy set the tone for developments across the board.

The catalyst for market nerves was the statement by Mr Silvio Berlusconi, the former prime minister, that he would table a vote of no confidence in his successor, Mr Lamberto Dini. This unnerved markets, which had assumed that Mr Dini, a technocrat, would stay in office at least until the middle of next year.

Matters were later aggravated when Mr Pier Fernando Casini, a Berlusconi ally, said that their Freedom Alliance bloc would vote against the 1996 budget, thus introducing economic worries on top of existing political uncertainty.

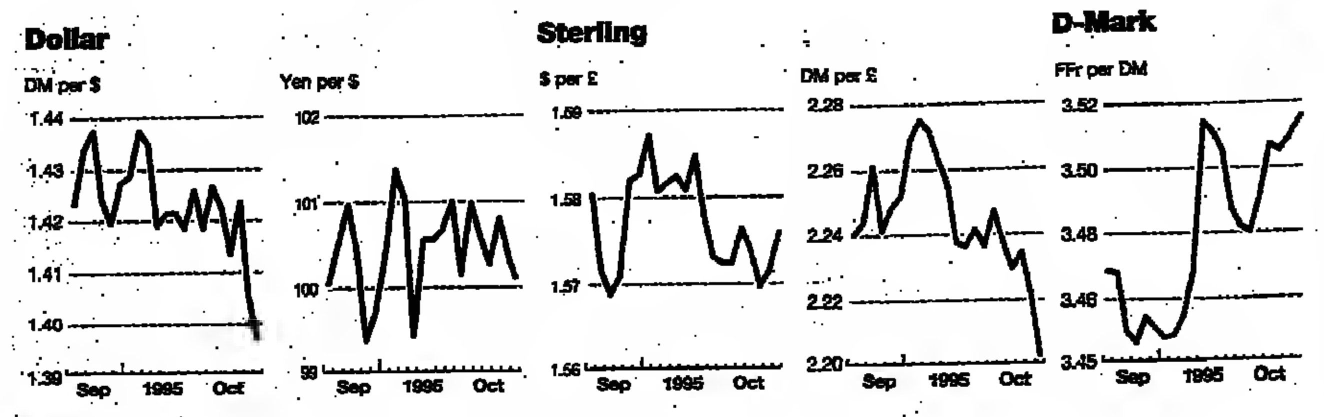
Mr Paul Chertkow, head of global currency strategy at UBS in London, said the situation was similar to in March when existing anxieties about the dollar were aggravated by political strains in Europe. But he pointed out that the current situation was different insofar as there had oot been a generalised move ont of high-yielding currencies into the D-Mark.

Currencies like the Swedish krona and Finnish markka have continued to do quite well. "It is an isolated statement about France and Italy in conditions of political uncertainty," said Mr Chertkow.

Mr Steve Barrow, economist at Chemical Bank in London, likened the behaviour of the dollar to what happened during the 1992/3 European exchange rate crises. He said: "When you have these tensions in Europe, you might as well put the dollar in the ERM. If the D-Mark gets stronger in Europe, it does so against the dollar too."

Mr Chertkow said much of the recent trade had been concentrated in D-Mark/Yen. This was explained by the fact that while the dollar was only four yen below its recent high against the yen, it was only five pfennigs above its historic low against the D-Mark.

■ The Bank of England provided £965m assistance towards clearing a £1.1bn money market shortage. Three month LIBOR traded at 6¾ per cent.



Source: FT Extel

POUND SPOT FORWARD AGAINST THE POUND

Oct 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5038	−0.1352	944 - 132	15.6887	15.4830	15.4734	2.4	15.4148	2.3	-	-	107.5
Belgium	(BFr)	45.3455	−0.3923	114 - 796	45.7370	45.0250	45.2505	2.5	45.0605	2.5	44.3255	2.2	110.2
Denmark	(DKr)	8.5679	−0.0659	628 - 730	6.6281	6.5598	6.5602	1.1	8.5437	1.1	8.4812	1.0	110.4
Finland	(FM)	6.6685	−0.017	612 - 757	6.7030	6.6420	6.6641	0.8	6.656	0.7	-	-	88.2
France	(FFr)	7.7508	−0.0472	475 - 540	7.8138	7.7417	7.7577	−1.1	7.7633	−0.8	7.7579	−0.1	109.2
Germany	(DM)	2.2031	−0.0182	018 - 043	2.2249	2.1982	2.198	2.8	2.1886	2.6	2.1476	2.5	113.2
Greece	(Dr)	363.095	−2.027	586 - 604	366.012	362.211	-	-	-	-	-	-	67.5
Ireland	(I£)	0.9779	−0.0005	770 - 787	0.9788	0.9762	0.9771	1.0	0.9758	0.9	0.9726	0.5	97.0
Italy	(L)	2523.18	+16.17	080 - 555	2528.12	2514.23	2530.43	−3.4	2545.33	−3.5	2613.48	−3.8	69.3
Luxembourg	(LFr)	45.3455	−0.3923	114 - 796	45.7370	45.0250	45.2505	2.5	45.0605	2.5	44.3255	2.2	110.2
Netherlands	(Fl)	2.4669	−0.0225	653 - 685	2.4902	2.4610	2.4604	3.1	2.4495	2.8	2.4033	2.8	110.3
Norway	(NKr)	9.7241	−0.0582	172 - 309	9.8405	9.6995	9.7117	1.5	9.6898	1.4	9.6143	1.1	99.7
Portugal	(Es)	232.948	−1.283	796 - 101	235.817	232.228	233.489	−2.8	234.709	−3.0	-	-	95.5
Spain	(Pta)	190.814	−1.302	714 - 914	192.587	190.428	191.314	−3.1	192.254	−3.0	196.654	−3.1	81.6
Sweden	(SKr)	10.5738	−0.075	642 - 834	10.6971	10.5477	10.576	−0.2	10.5806	−0.3	10.6039	−0.3	84.7
Switzerland	(SFr)	1.7985	−0.0127	973 - 997	1.8138	1.7953	1.7914	4.7	1.7795	4.2	1.7266	4.0	115.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.6
Ecu	-	1.2031	−0.0053	024 - 037	1.2129	1.2013	1.202	1.1	1.1998	1.1	1.1904	1.1	-
SDR†	-	1.05060	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5756	+0.0043	750 - 762	1.5777	1.5703	-	-	-	-	-	-	-
Brazil	(R$)	1.5147	+0.0078	141 - 152	1.5155	1.5087	-	-	-	-	-	-	-
Canada	(C$)	2.1225	−0.0227	214 - 235	2.1250	2.1100	2.1216	0.5	2.1214	0.2	2.1265	−0.2	84.7
Mexico	(New Peso)	10.5277	+0.0222	165 - 389	10.5433	10.4991	-	-	-	-	-	-	-
USA	($)	1.5760	+0.0045	755 - 765	1.5785	1.5709	1.5749	0.8	1.5729	0.8	1.5618	0.9	92.4
Pacific/Middle East/Africa													
Australia	(A$)	2.1004	−0.012	990 - 017	2.1028	2.0981	2.1017	−0.7	2.1046	−0.8	2.1193	−0.9	95.4
Hong Kong	(HK$)	12.1865	+0.0353	818 - 911	12.2046	12.1475	12.183	0.3	12.1706	0.5	12.137	0.4	-
India	(Rs)	56.0663	+0.9616	303 - 022	56.2230	54.9760	-	-	-	-	-	-	-
Israel	(Shk)	4.7164	+0.0107	117 - 210	4.7213	4.7017	-	-	-	-	-	-	-
Japan	(Y)	157.687	−0.485	566 - 808	158.930	157.280	156.772	7.0	155.162	6.4	148.237	6.0	143.0
Malaysia	(M$)	3.9802	−0.0061	781 - 822	3.9875	3.9709	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3867	−0.0004	850 - 883	2.3886	2.3846	2.3926	−3.0	2.4018	−2.5	2.4275	−1.7	101.1
Philippines	(Peso)	40.8657	+0.1166	739 - 575	40.9620	40.7716	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9108	+0.0169	086 - 130	5.9200	5.8920	-	-	-	-	-	-	-
Singapore	(S$)	2.2395	+0.0009	380 - 410	2.2454	2.2342	-	-	-	-	-	-	-
South Africa	(R)	5.7418	+0.0063	388 - 448	5.7552	5.7270	-	-	-	-	-	-	-
South Korea	(Won)	1208.71	+4.55	825 - 918	1210.10	1204.88	-	-	-	-	-	-	-
Taiwan	(T$)	42.5197	+0.0986	991 - 403	42.6037	42.3882	-	-	-	-	-	-	-
Thailand	(Bt)	39.5340	+0.0815	135 - 544	39.6050	39.4200	-	-	-	-	-	-	-

† Rates for Oct 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	9.8375	−0.1142	346 - 403	9.9320	9.8290	9.8224	1.8	9.7323	1.8	9.683	1.8	107.2
Belgium	(BFr)	28.7725	−0.332	600 - 850	29.0500	28.5600	28.7315	1.7	28.6525	1.7	28.3525	1.5	109.4
Denmark	(DKr)	5.4365	−0.0575	350 - 380	5.4840	5.4303	5.4372	−0.2	5.433	0.3	5.4425	−0.1	109.3
Finland	(FM)	4.2313	−0.0229	280 - 345	4.2671	4.2208	4.2309	0.1	4.2298	0.1	4.2253	0.1	87.6
France	(FFr)	4.9180	−0.0442	175 - 185	4.9650	4.9122	4.9265	−2.1	4.9355	−1.5	4.958	−0.8	106.4
Germany	(DM)	1.3979	−0.0162	975 - 982	1.4120	1.3951	1.3957	1.5	1.3913	1.9	1.3728	1.8	111.9
Greece	(Dr)	230.390	−1.95	140 - 640	232.770	230.070	232.115	−9.0	235.315	−8.6	248.79	−8.0	66.8
Ireland	(I£)	1.6117	+0.0055	108 - 126	1.6135	1.6065	1.6119	−0.1	1.6119	−0.1	1.6184	−0.4	-
Italy	(L)	1601.00	+5.7	000 - 200	1606.90	1597.25	1607.75	−5.1	1619.3	−4.7	1677	−4.7	69.7
Luxembourg	(LFr)	28.7725	−0.332	600 - 850	29.0500	28.5600	28.7315	1.7	28.6525	1.7	28.3525	1.5	109.4
Netherlands	(Fl)	1.5653	−0.0186	648 - 658	1.5831	1.5632	1.5626	2.0	1.5575	2.0	1.5375	1.8	109.2
Norway	(NKr)	6.1701	−0.0534	677 - 725	6.2595	6.1580	6.1662	0.7	6.1601	0.6	6.1501	0.3	98.6
Portugal	(Es)	147.810	−1.24	760 - 860	149.760	147.400	148.275	−3.8	149.265	−4.0	153.91	−4.1	95.5
Spain	(Pta)	121.075	−1.175	050 - 100	122.250	120.830	121.455	−3.8	122.225	−3.8	125.72	−3.8	81.0
Sweden	(SKr)	6.7093	−0.0659	053 - 132	6.7977	6.7005	6.7258	−3.1	6.7633	−3.2	6.9318	−3.3	83.8
Switzerland	(SFr)	1.1412	−0.0113	408 - 416	1.1520	1.1397	1.1375	3.3	1.1315	3.4	1.1037	3.3	114.8
UK	(£)	1.5760	−0.0045	755 - 765	1.5785	1.5709	1.5749	0.8	1.5729	0.8	1.5619	0.8	83.3
Ecu	-	1.3100	+0.0095	097 - 103	1.3120	1.2990	1.3104	−0.4	1.3111	−0.2	1.3134	−0.3	-
SDR†	-	0.66845	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9993	−0.0001	997 - 998	0.9992	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	0.9611	+0.0022	610 - 611	0.9612	0.9602	-	-	-	-	-	-	-
Canada	(C$)	1.3468	+0.0106	465 - 470	1.3483	1.3413	1.3473	−0.4	1.3486	−0.5	1.3588	−0.9	84.4
Mexico	(New Peso)	6.6800	−0.005	750 - 850	6.6950	6.6750	6.6822	−0.4	6.6854	−0.3	6.6903	−0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3326	−0.0037	323 - 332	1.3359	1.3322	1.3344	−1.6	1.338	−1.6	1.3577	−1.8	86.8
Hong Kong	(HK$)	7.7325	+0.0003	320 - 330	7.7332	7.7317	7.734	−0.2	7.736	−0.2	7.7562	−0.3	-
India	(Rs)	35.5750	−0.51	000 - 500	35.7000	34.9500	35.725	−5.1	36.23	−5.1	37.5	−5.4	-
Israel	(Shk)	2.9926	−0.0018	906 - 946	3.0020	2.9844	-	-	-	-	-	-	-
Japan	(Y)	100.055	−0.595	010 - 100	100.770	100.000	99.55	5.9	98.64	5.7	94.765	5.3	143.0
Malaysia	(M$)	2.5255	−0.0021	250 - 260	2.5290	2.5240	2.5255	0.0	2.5263	−0.1	2.5335	−0.3	-
New Zealand	(NZ$)	1.5142	−0.0046	138 - 149	1.5180	1.5132	1.5183	−3.2	1.5258	−3.1	1.5505	−2.4	-
Philippines	(Peso)	25.9300	-	600 - 800	25.9600	25.8500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7508	3.7503	3.7511	−0.2	3.7519	−0.1	3.7551	−0.1	-
Singapore	(S$)	1.4210	−0.0035	205 - 215	1.4233	1.4202	1.4176	2.9	1.4113	2.7	1.3865	2.4	-
South Africa	(R)	3.6433	−0.0064	425 - 440	3.6485	3.6420	3.6585	−8.3	3.7188	−8.3	3.9498	−8.4	-
South Korea	(Won)	766.950	+0.7	900 - 000	768.300	766.400	769.95	−4.7	773.45	−3.4	791.85	−3.3	-
Taiwan	(T$)	26.9795	−0.0145	750 - 840	26.9920	26.9740	26.9995	−0.9	27.0295	−0.9	-	-	-
Thailand	(Bt)	25.0850	−0.02	800 - 900	25.1080	25.0750	25.1725	−4.2	24.82	4.2	26.04	−3.8	-

† SDR rate per $ for Oct 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 19. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	16.89	17.09	4.856	2.157	5563	5.440	21.44	513.6	420.7	23.31	3.967	2.205	4.681	3.475	347.7	2.653
Denmark	(DKr)	52.93	10	9.046	2.571	1.141	2945	2.879	11.35	271.8	222.7	12.34	2.100	1.167	2.478	1.839	184.1	1.404
France	(FFr)	58.51	11.05	10	2.842	1.262	3255	3.183	12.55	300.5	246.2	13.64	2.321	1.290	2.739	2.033	203.5	1.552
Germany	(DM)	20.59	3.889	3.518	1	0.444	1145	1.120	4.414	105.7	86.61	4.798	0.817	0.454	0.964	0.715	71.58	0.546
Ireland	(I£)	46.37	8.761	7.925	2.253	1	2580	2.522	9.943	238.1	195.1	10.81	1.839	1.022	2.171	1.611	161.2	1.230
Italy	(L)	1.797	0.340	0.307	0.087	0.039	100.	0.098	0.385	9.231	7.562	0.419	0.071	0.040	0.084	0.062	6.250	0.048
Netherlands	(Fl)	18.38	3.473	3.142	0.893	0.396	1023	1	3.942	94.41	77.34	4.285	0.729	0.405	0.861	0.639	63.92	0.488
Norway	(NKr)	46.64	8.811	7.971	2.266	1.006	2595	2.537	10	239.5	196.2	10.87	1.850	1.028	2.183	1.621	162.2	1.237
Portugal	(Es)	19.47	3.679	3.328	0.946	0.420	1083	1.059	4.175	100.	81.92	4.538	0.772	0.429	0.812	0.677	67.71	0.517
Spain	(Pta)	23.77	4.491	4.062	1.155	0.513	1322	1.293	5.098	122.1	100.	5.540	0.943	0.524	1.113	0.826	82.65	0.631
Sweden	(SKr)	42.90	8.106	7.333	2.084	0.925	2387	2.334	9.200	220.3	180.5	10	1.702	0.948	2.009	1.491	149.2	1.138
Switzerland	(SFr)	25.21	4.763	4.309	1.225	0.544	1402	1.371	5.405	129.5	106.1	5.875	1	0.556	1.180	0.876	87.88	0.669
UK	(£)	45.35	8.568	7.751	2.203	0.978	2523	2.467	9.724	232.8	190.8	10.57	1.799	1	2.123	1.576	157.7	1.203
Canada	(C$)	21.36	4.036	3.651	1.038	0.461	1188	1.162	4.580	109.7	89.87	4.979	0.847	0.471	1	0.742	74.28	0.567
US	($)	28.78	5.437	4.918	1.398	0.621	1601	1.565	6.170	147.8	121.1	6.707	1.141	0.635	1.347	1	100.1	0.763
Japan	(Y)	28.76	5.433	4.815	1.397	0.620	1600	1.564	6.166	147.7	121.0	6.703	1.141	0.634	1.346	0.999	100.	0.763
Ecu		37.70	7.122	6.443	1.831	0.813	2097	2.051	8.083	193.6	158.6	8.786	1.495	0.831	1.765	1.310	131.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7134	0.7176	+0.0049	0.7189	0.7102	29,708	49,658
Mar	0.7138	0.7202	−0.0045	0.7215	0.7138	393	2,837
Jun	-	0.7235	+0.0049	0.7235	-	1	68

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0048	1.0069	+0.0030	1.0090	1.0018	10,142	58,514
Mar	1.0183	1.0218	+0.0081	1.0233	1.0183	295	6,995
Jun	1.0335	1.0335	−0.0006	1.0358	1.0335	2	333

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8768	0.8833	+0.0064	0.8833	0.8730	13,855	32,427

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5706	1.5740	−0.0018	1.5770	1.5682	6,151	35,703

EMS EUROPEAN CURRENCY UNIT RATES

Oct 20	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.08891	−0.00347	−2.94	7.34	22
Belgium	39.3960	38.3827	−0.0494	−2.57	6.94	18
Germany	1.91007	1.86484	−0.00331	−2.37	6.71	23

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	Dec	Jan	PUTS Nov	Dec	Jan
1.540	3.52	4.03	4.51	0.16	0.72	1.28
1.550	2.66	3.32	3.85	0.81	1.01	1.62
1.560	1.95	2.68	3.25	0.56	1.37	2.02
1.570	1.31	2.18	2.71	0.84	1.81	2.48
1.580	0.62	1.91	2.28	1.35	2.05	2.96
1.590	0.47	1.68	1.87	2.00	2.33	3.53

Previous day's vol., Calls 5,197 Puts 11,537. Prev. day's open int., Calls 287,861 Puts 287,673

WORLD INTEREST RATES

MONEY RATES

$ LIBOR Interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

UK INTEREST RATES

LONDON MONEY RATES

Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.5715pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 29, 1995. Agreed rate for period Oct 25, 1995 to Nov 25, 1995, Schemes II & III 8.04pc. Reference rate for period Sep 1, 1995 to Sep 29, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from October 1, 1995

Est. vol. total, Calls 2360 Puts 5921. Previous day's open int., Calls 141493 Puts 134221

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association
* In administration

■ OTHER CURRENCIES

Oct 20	£	$
Czech Rp	40.9530 - 41.0126	26.0000 - 26.0150
Hungary	205.319 - 205.528	130.320 - 130.370
Iran	4728.50 - 4728.50	3000.00 - 3000.00
Kuwait	0.4722 - 0.4730	0.2997 - 0.3000
Poland	3.8348 - 3.8418	2.4340 - 2.4370
Russia	7100.55 - 7100.78	4504.00 - 4507.00
U.A.E.	5.7863 - 5.7905	3.6727 - 3.6730

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Emerging Markets page in Monday's edition.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 01895 259783

	Init Chge	Notes	Selling Price	Buying Price	+ or -	Yield Grs
AIB Grofund American	5		187.0	197.8	-0.18	0.12
AIB Grofund Asia Pacific	5		98.20	104.5	-0.70	0.70
AIB Grofund Equity	5		264.9	281.8	-0.20	2.15
AIB Grofund Euro	3		230.2	243.8	+0.70	1.20
AIB Grofund Capl Enhanced	5		122.8	127.1	---	1.01
AIB Grofund Gilt	5		73.79	78.07	+0.14	5.34
AIB Grofund Japan	3		164.2	173.7	-1.20	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 01203 553231

	Init Chge	Notes	Selling Price	Buying Price	+ or -	Yield Grs
General Inc	5		518.1xd	551.2	-0.6	2.86
General Acc	5		603.1xd	641.6	-0.7	2.86
UK Growth Acc	6		408.9xd	435.1	-0.5	2.86
UK Growth Inc	6		272.5xd	289.9	-0.3	2.85
Higher Inc Acc	6		754.6xd	802.8	-0.7	4.07
Higher Inc Inc	6		420.1xd	447.0	-0.4	4.07
Gilt/Fxd Int Acc	$5\frac{1}{2}$		197.9xd	209.9	-0.3	3.77
Gilt/Fxd Int Inc	$5\frac{1}{2}$		80.97xd	90.09	-0.1	3.77
Nth America	6		326.4xd	347.3	-1.3	0.00
Europe	6		308.0xd	327.7	[illegible]	0.85
Brit Excell	6		81.75	86.97	-0.14	2.80
Brit Freehold Acc	6		116.1xd	117.2	-0.1	4.77
Brit Freehold Inc	6		77.08xd	82.01	-0.12	4.77
Global Opps	6		93.63	99.61	-0.16	0.26
Balanced Acc	6		58.74xd	62.49	-0.07	2.95
Balanced Inc	6		56.21xd	65.90	-0.08	2.95
Japan Tst Acc	6		44.44xd	47.28	-0.4	0.00
Pacific Basin Tst Acc	6		372.8xd	396.7	-2.2	0.90

Abbey National Unit Trust Managers Ltd (1200)F
287 St Vincent Street, Glasgow G25NB 0141 275 8500

	Init Chge	Notes	Selling Price	Buying Price	+ or -	Yield Grs
UK Growth Inc H	3		112.7xd	119.9	-0.10	2.32
UK Growth Acc H	3		114.5xd	121.8	-0.20	2.32

Baring Fund Managers Ltd (1200)H
PO Box 851, 155 Bishopsgate, London EC2M 3YS
Enquiries 0171-782 8400 Dealing 0171-214 1004

	Init Chge	Notes	Selling Price	Buying Price	+ or -	Yield Grs
American Growth	3		108.7	114.9	[illegible]	0.0
American Smllr Cos	5		153.3	163.4	[illegible]	0.0
Convertibles	5		53.40xd	57.30	[illegible]	6.7
Eastern	5		296.1	312.3	[illegible]	0.3
Equity Income	5		90.31	95.65	[illegible]	4.1
European Growth	5		315.4	334.6	[illegible]	0.0
Europe Select	3		259.4	275.6	[illegible]	0.2
Exempt F	1		96.01	100.0	--	3.0
Europ Fixed Interest F	1		101.9	103.0	--	6.2
German Growth	$5\frac{1}{4}$		80.86	85.67	[illegible]	0.0
Global Bond	3		65.94	69.49	[illegible]	6.5
Global Growth	5		135.4	144.3	[illegible]	0.0
Japan Growth	5		194.8	207.6	[illegible]	0.0
Japan Smaller	5		149.6	159.1	[illegible]	0.5
Korea Trust	$5\frac{1}{4}$		91.13	[illegible]	[illegible]	0.0
Portfolio	5		137.0	145.5	[illegible]	2.3
Portfolio Acc	5		259.2	273.0	[illegible]	2.5
UK Growth	5		87.33	93.55	[illegible]	2.7
UK Smaller Cos	5		84.03xd	91.98	[illegible]	1.8
Select Managers ♦ F	5		80.24	86.40	[illegible]	1.6
Charity Fund						
Overseas Gwth Inacc ♦ F	2		67.18	69.87	---	0.1

Blackstone Franks UT Mngrs Ltd (0900)F
26–34 Old Street, London EC1V 9HL 0171-250 3300

	Init Chge	Notes	Selling Price	Buying Price	+ or -	Yield Grs
Intl Gwth Portfolio Inc	6		91.20	96.38	+0.48	-
UK Gwth Portfolio Acc	6		85.88	91.12	+0.34	-
Special Opportunity UK	6		55.99	59.56	-1.4	-
Special Opportunity Acc	6		61.20	65.10	-1.83	-

Britannia Fund Managers Ltd (1000)F
50 Bothwell Street, Glasgow G2 6HR 0141-223 8020

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of AUTIF §§

INITIAL CHARGE: Charges made by a unit trust manager. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the buying price of units.

BUYING PRICE: Also called offer price. The price at which units are bought by investors.

SELLING PRICE: Also called bid price. The price at which units are sold back by investors.

TREATMENT OF MANAGER'S PERIODIC CHARGE: The letter C denotes that the trust deducts all or part of the manager's periodic charge from capital, contact the manager for full details of the effect of this course of action.

EXIT CHARGES: The letter E denotes that an exit charge may be made when you sell units, contact the manager for full details.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Association of Unit Trusts and Investment Funds, 65 Kingsway, London, WC2B 6TD. Tel: 0171-831-0898.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual Fund Managers Ltd (1200)H

Rothschild Fund Management - Contd.

Scottish Widows' Fund Mngmt - Contd.

Waverley Unit Tst Mngmt Ltd (1000)F

Abbey Life Assurance Co Ltd

Britannia - Contd.

Eagle Star Life Assurance Co Ltd

OTHER UK UNIT TRUSTS

INSURANCES

Weekend FT

In-flight catering is an $8bn industry which has become a nightmare for the modern airline. **Farrol Kahn** reports

Throw a chicken in the air…

Just about everyone who has flown will have tasted that notorious culinary speciality of airline cuisine: the rubber chicken. Frequent fliers will also have been told – no doubt by an apologetic flight attendant – that the in-flight kitchen has run out of their choice of meal, but not to worry since "all the food tastes the same".

Serving more than 700m meals a year in the air has become an $8bn (£5.1bn) nightmare for the airline industry. As for passengers, food has traditionally been high on their list of complaints.

"Don't expect great dishes in the air," admits Kurt Hafner, head of catering standards at British Airways. BA, which has an annual catering budget of £365m, has invested heavily in improvements by experimenting with new cooking techniques, devising special dishes and turning to famous chefs for help. But the poetry of their cuisine has invariably been lost in the translation from ground to air.

To serve good food at 30,000ft, in a metal tube travelling at more than 600mph, is a challenge for even the greatest chef. For a start, food has to be prepared and cooked on the ground before being stored, loaded on to trucks, transported to the airport and hurled into space.

Quirky cabin conditions can play tricks on the food. Fried eggs turn green at the edges, dehydration is a problem and using the best ingredients is no guarantee of getting the best results. "What is expensive is not necessarily good and what is good is not necessarily expensive," says Alain Van Kote, Air France's catering chief.

The lack of kitchen equipment on board an aircraft is a great leveller in airline catering. It results in most airlines producing a similar cuisine. The principal and almost only culinary device in an aircraft kitchen is a convection oven. Microwaves are not used because they interfere with aircraft communications systems.

The other distinctive feature of aircraft kitchens is the proliferation of non-aesthetic plastic to meet weight restrictions and the standardisation of the shape and sizes of eating utensils and tableware for easy handling and storage.

As for cabin staff, whose primary function is to ensure the safety of passengers in an emergency, they have been allocated the secondary duty of catering. In practice, they spend half or more of their training time on preparing and serving food.

Although they are not professional catering staff, they have to perform the dual tasks of cooking and serving within a restricted space. While in the galley, they are also exposed to interruptions from passengers which can lead to meals being overcooked and spoilt.

The final burden the airline caterer has to bear is the customer. They do not come to aircraft restaurants by choice but by default. Once the doors are locked, for periods of up to 14 hours, the cabin staff has no access to a rescue kitchen for supplies. Neither can the restaurant deal effectively with a customer's complaint by tearing up the bill. I once heard a fellow passenger grumbling to a flight attendant for half an hour about an unripe mango.

To make matters worse, a passenger's sensation of taste is impaired by the cabin atmosphere which dehydrates the mucous membranes in the nose and blunts the sense of smell. As our response to food is dependent on the convergence of gustatory, olfactory and visual information, the distortion of two of these elements alters our enjoyment of a meal. This was a cause of great consternation at All Nippon Airways (ANA) when the Japanese carrier first started its international flights a few years ago and had complaints about its food. The chef's honour was redeemed when they realised that the cabin environment was at fault.

The lower cabin pressure that results in mild lack of oxygen also changes our response to food. This in turn has a sluggish effect on our digestion and absorption of nutrients. The fact that we cannot take a post-prandial stroll tends to exaggerate the situation. John Peett, chairman of Vodafone and a frequent flier, is aware of this and tends to eat just half the amount offered on an *à la carte* menu. Even with the best intention of eating and drinking moderately, the psychological influences of flying, such as stress, boredom, aerophobia and emotional extremes, compel passengers to eat in spite of the lack of appetite.

Passengers seldom pick an airline because of its food. In a survey by Swissair that ranked the reasons passengers chose to fly with a particular airline, food came seventh, only higher than in-flight entertainment. Schedules, punctuality, safety, price, flight attendants and seating were given priority. However, as Cathay Pacific, the Hong Kong airline, discovered, food helps to build customer loyalty, especially on long flights. If passengers are not fed properly they will not fly with that airline again.

It is not just the food that matters, it is also the ambience in which it is served. As Futoshi Goto, of ANA's catering department, explains: "Some 70 per cent of passenger satisfaction with the food is dependent on cabin service and 30 per cent on the chefs." The right cabin ambience also increases a passenger's enjoyment of a meal. Lufthansa discovered that if six people were seated abreast in Business Class there was bound to be a complaint about the food. Not so when the middle seats were empty. Cramped conditions in Economy could also account for the greater consumption of hard liquor in the back of the aircraft.

To meet the challenge of airline cuisine, airlines have to spend an average of 5 per cent of their turnover and, according to Professor Rigas Doganis, of the Cranfield Institute, "they have to get the balance right between reducing costs and improving their product". As part of cost-cutting strategies during the recession, many carriers chose outside caterers. This has led to the creation of big specialised catering companies such as LSG Lufthansa Service Sky Chefs, the largest, producing 250m meals a year, and Gate Gourmet, the second biggest with 92m meals. British Airways, which still caters in-house, could easily fit into one of the top five slots with 44m meals a year.

With passengers demanding better quality airline food, airlines are under pressure to increase or at least maintain their food budgets. Lufthansa, for example, is cutting costs elsewhere – not on food. Martin Brandenbusch, the German airline's catering chief, explains this can be achieved by trimming back handling, equipment and engineering costs.

He says the breakdown of the cost of a typical DM100 Business Class meal on the New York to Frankfurt route comprises food and beverage, 68 per cent; handling 22 per cent; equipment 9 per cent; and engineering 1 per cent.

Regular passengers would not forgive an airline for skimping on food. Brandenbusch says that passengers on Lufthansa's in-bound flights from South America, for example, expect to find German specialities including German rye

Continued on Page II

CONTENTS

Joe Rogaly

An awful wedded life

The case for privatising the marriage contract

The next thing to be privatised should be divorce. Governments are not elected to arrange nuptial liaisons, much less to untangle them. What is called "family policy" is too important for politicians to impose. It is a purely private matter. The rules of cohabitation vary, for they are derived from freely-concluded and messily-discontinued arrangements between individuals. Public administrations that cannot run airlines or telephone systems are certainly not qualified to settle quarrels between men and women.

This is not to say that I am against marriage; after three-and-a-bit decades of it I find it extremely congenial. Nor do I deride the nuclear family, the one that keeps parents with their offspring. Along with Tony Blair, John Major, Newt Gingrich, and just about every sensible democratic politician I am convinced that children thrive best when brought up by two natural parents, one of each gender, bound to one another at a minimum by bonds of loyalty and at best by a signed contract.

Contract? Surely that brings the government into the picture. Yes it does, but impartially. There need be no difference in the law affecting marriage from that appertaining to any other form of contract. The case for making wedlock special rests on the assumption that it is the task of elected authorities to strengthen family ties. It is not. The family will prosper if the church does. Failing that, we must rely on tradition, innate human good sense, cultural norms, individual values, the underlying belief of potential mothers and fathers that they will be better parents if they take out a contract to stick together.

Britain's Conservative ministers are troubled by this argument. This is not surprising. The Tories are in at least two minds about the family. Some want the state to reinforce matrimony; others accept that that is not logical for proponents of minimalist government. We know what happens when ministries in deep trouble are divided. They concoct compromises. That is what Lord Mackay has done with his proposed bill to reform the law of divorce. The Lord Chancellor is offering a little bit of privatisation, plus a compensating dollop of nationalisation.

In a White Paper published earlier this year he proposed the ending of "quickie" separations, currently possible where one partner accuses the other of unreasonable behaviour or adultery. Under the new system break-ups would not require such accusations. So far, so non-interventionist. Lord Mackay has, however, also suggested that there be a period of reflection, of one year, during which the couple might seek guidance and mediation. Pre-divorce "information sessions", which would be government-funded, would be undertaken by family court welfare offices and local mediation services.

We chatterers may therefore have it both ways. Some of us

> It would be comforting to place our faith in *something*. The family would do nicely

may argue that the Mackay bill would increase the number of divorces in Britain, which already has the highest split-up rate in Europe. Others, led by the Lord Chancellor himself, will calculate that the mediation service and the one-year wait might lead some couples to cool down and stay together. Both sides are right, and both are wrong. Lord Mackay of Forked Tongue has spoken.

The squabble over this impending legislation is a minor manifestation of the general sense of anxiety that can be felt on both sides of the Atlantic. "Family values" are propounded by politicians and think-tank experts who recognise that there are no other saleable ethical systems left. I am with them. Socialism is dead. The Judeo-Christian tradition is not the overwhelming force in determining our behaviour that it is popularly supposed to have been in the past. It would be comforting to place our faith in *something*, just for a while. The family would do nicely.

The difficulty is that it is an illusion. You could argue that the British should follow the Germans, and tailor both the law and the tax and benefits system to the principle of maintaining the family. Forget it. No British government would ever apply such a policy consistently enough for long enough to make a significant difference. The Americans have support-the-family slogans pumped into their ears day and night and they, with their pluralistic democracy, cannot manage it.

Fortunately, governments are not able to create new cultures. Francis Fukuyama, who has been in London this week, gives us the evidence for my assertion in his new book on trust, entitled *The Social Virtues and the Creation of Prosperity*. He said in a speech on Wednesday that the Chinese, who place family ties above all else, tend to create family-run businesses, while the Japanese, who trust their business companions and revere their nation, have built up giant multinational corporations. Governments may take note of what Mr Fukuyama observes, but that is the end of the matter. Beijing could not impose Tokyo values on its population, even if it wanted to.

This is why I am indifferent to the fate of Lord Mackay's bill, which might as well be subject to a free vote in the House of Commons. Nor is there any fiscal solution on the horizon. The British budget to be presented by Kenneth Clarke next month may or may not seek to turn the balance of tax advantage towards married couples with children, but who cares?

Any government that sought to turn the clock back would impose pro-family legislation, and family-supporting taxation and benefit structures. This package would be accompanied by measures to clear women out of the labour market. It would be topped up by the provision of properly-paid jobs to enable ill-educated young bucks to support themselves, wives and children. The state would have rolled back over us with a vengeance. What a horror story! It would be better to keep fiscally neutral, and privatise the marriage contract.

PERSPECTIVES

Really cool: Martin Dockett with his range of sorbet and ice-cream specialities

Trevor Humphries

Minding Your Own Business / **Grania Langdon-Down**

A chef's frozen assets

In an anonymous unit on a tiny rural industrial estate in Kent, Martin Dockett constantly monitors the hlast freezer that contains the ice creams and sorbets he makes.

He is determined that nothing should go wrong. Yet if anything does go wrong with his hlast freezer, Dockett may not be the first to know – he is more likely to get a telephone call from the Netherlands alerting him to the first sign of trouble.

For Dockett's freezer is linked by computer modem to an early warning system in Roermond, allowing Dntch experts to advise him to carry out checks or, in an emergency, call out a UK-based service engineer.

So far the freezer, which Dockett hought from a company which had gone into receivership, has worked smoothly at temperatures as low as minus 40°C. It is one of the safeguards Dockett has huilt into his gleaming white and stainless steel kitchens.

After 20 years huilding up his reputation as a patisserie chef, Dockett, 39, is now working 16 hours a day, seven days a week, to establish his first solo venture in the catering business.

He and his wife Jennifer, who trained in hotel management, bave invested everything in making La Glacerie a success – selling their house and moving witb tbeir two young daughters to live with Jennifer's mother to raise capital.

Since he was a teenager, Dockett has never wavered in his love of cooking but ambition and a need for new challenges led him on a varied course to becoming his own boss.

First stop was catering college in Thanet, Kent. Then he worked in London botels, with a seven-year spell lecturing in professional cookery at Westminster College. In 1987, he was invited to join the Academie Culinaire de France.

Two years ago, he was working at the Connaught Hotel in Mayfair. "It was a lovely place to work and the food was excellent hut you knew exactly what you were going to be doing day in day out.

"I felt hemmed in, with no room for growth. I had this dream of getting out and being my own boss. When you are at college, your ultimate goal is always to be head chef somewhere. But because I had chosen to specialise in patisserie I was always going to be one rung down.

"I thought about opening a patisserie unit which could supply hotels with cold desserts, pastries and chocolates. I went to four banks offering our bouse in Chislehurst, Kent, as collateral, but they weren't interested. They said it may be worth £100,000, but, to them, it was only worth about £20,000. So I was unable to raise enough capital to start on my own."

Instead, Dockett moved to a company which produced ice creams, sorbets and patisserie, as head chef in charge of 65 chefs.

"I was in my element. The company was turning over £2.2m in sales. However, it soon became clear it was in financial difficulties. I cut the staff down to 28, hut within a year it was in the hands of the receivers and we were all made redundant.

"I went home to Jenny and said: 'It's now or never.' We put our house on the market at the end of August 1994 and sold it three days later."

The Midland Bank agreed to match the amount raised from the sale and mooey put in by relatives, giving Dockett £200,000 capital to work with.

In March this year, he signed the lease on a 3,000 sq ft "empty shell" in a small yard of units in Cranbrook, Kent. The annual rent is £15,000, with an office across the yard costing a further £2,500 a year.

He was able to design the layout of the unit to his own specifications, working with the local environmental health officer to ensure it met all the required standards.

Dockett said: "I think there are a lot of people who don't want to listen to what the environmental health people are saying and complain about the regulations being too restrictive. But if you produce something which poisons someone then yon lose your business, so the safeguards are for you as well as the customer."

Their efforts meant Forte, the UK's largest hotel group, approved them as suppliers within weeks of prodnction starting, he added.

One of the higgest single expenses was a £26,000 refrigerated van which prints out a record of the temperature in the back to confirm to customers that the frozen desserts and ice creams have been delivered in proper conditions.

So far he has taken on one member of staff, Andrew Niznik, 26, with whom Dockett had worked previously. Niznik stays with the Docketts during the week, regularly setting out at ahout 5.30am to deliver orders to London. Niznik is also responsible for qnality assurance, sending off weekly samples of the products for analysis.

The husiness plan for La Glacerie, drawn up with the help of Dockett's chartered accountant brother-in-law Christopher Stent, predicts a £20,000-plus loss to February 1996 with a turnover of about £145,000. It then forecasts turnover of £227,000 with a net profit of £15,000 for the year to February 1997, increasing to £275,000 turnover and nearly £35,000 profit over the following 12 months.

Dockett prodnces the ice creams and desserts singlehandedly. Turnover in the first few months has been ahout £6,000 but the aim is for £24,000 a month in the run-up to Christmas. Achieving that level of monthly sales means sending out about 500 desserts and 100 litres of ice cream a day. "I can manage that on my own. Once the money starts coming in, then we can think ahout employing some more chefs," he said.

With such prestigious clients as the Park Lane Hotel, The Café Royal and Mosimann's, Dockett's main aim is to supply top London hotels and exclusive outlets: "I am not interested in mass production," he said. He is also pitching for contracts with airlines' first-class services.

"Over the last five years, the hotel trade, like everything else, hit a low point and the first people to be cut back were the pastry chefs. So the goods have to be bought in."

He is convinced it was right to risk everything and go it alone. "Everyhody dreams about running their own business but a lot of people just stand on the edge of the pond. My advice is jump in – yon end up coping because you have to and often it is not as difficult as you imagined.

■ *La Glacerie, Unit 7, Courtlands Farm, Turnden Lane, Cranbrook, Kent TN17 2QL. Tel: 01580-715882. Fax: 01580-715883.*

The Nature of Things

From bark to super aspirin

Five thousand years ago our ancestors started to use a bitter extract from willow hark to reduce inflammation. Around 400BC Hippocrates relieved the pain of childbirth with a brew of willow leaves. And in 1763 the Rev Edward Stone reported to the Royal Society of London that willow extract had brought down a high fever in 50 patients.

One hundred years ago the foul-tasting bark extract was transformed by the young German chemicals industry into pure white tablets of acetylsalicylic acid – launched by Bayer in 1899 as aspirin. Aspirin was an instant commercial success, and it is still manufactured in larger quantities – 300m doses a day – than any other pharmaceutical. Yet scientists are only now discovering exactly how it makes aches and pains, arthritis and rheumatism more bearable.

Their research should lead to an improvement in the large pharmaceutical category known as Nsaids (non-steroidal anti-inflammatory drugs), which comhine mild pain relief with a reduction in inflammation. They include aspirin, ihuprofen and two dozen others with names such as naproxen, diclofenac and indomethacin, which may he familiar to readers with chronic arthritis.

All of these drugs cause similar side effects, notahly on the gastro-intestinal system. Regular consumption increases the risk of peptic ulcers and hleeding in the stomach. According to a recent estimate, Nsaids cause 30 per cent of the 4,000 deaths a year from peptic ulcers in the UK.

John Vane, the British pharmacologist and Nobel Laureate, took the first step in 1971 when he proposed that aspirin and other Nsaids work hy inhibiting production of prostaglandins – locally acting hormones which have a variety of effects, including making nerve endings more sensitive to painful stimuli.

Further research in the 1970s and 1980s confirmed Vane's view and showed that the key step in the process was the hlocking of an enzyme called cyclo-oxygenase, or Cox, which helps to convert fatty acids into prostaglandins. Scientists believed then that both the therapeutic benefits and the unwanted side effects were caused hy inhibition of the Cox enzyme.

But in the 1990s, research at laboratories including the William Harvey Institute which Vane runs at St Bartholomew's Hospital, London, has revealed that Cox is two distinct enzymes with similar structures.

Nsaids do their good work hy hlocking Cox-2 and their harm hy hlocking Cox-1. Cox-1 is a "housekeeping enzyme" normally present throughout the body, with a range of protective functions in the stomach, kidneys and elsewhere. Cox-2 is an "inducible enzyme" produced when tissues are stimulated by disease, accident or stress.

They are just different enough to open up the possibility of developing drugs which inhibit Cox-2 without affecting Cox-1. The latest evidence, presented at a scientific conference in London this month, shows that Cox-2 has a larger tunnel-like space running through the molecule than Cox-1.

Drug companies are racing to exploit the opportunity to develop selective Nsaids which would have a potent analgesic and anti-inflammatory effect without harming the stomach and kidneys. They would bring commercial rejuvenation to a rather tired sector of the pharmaceutical market which is full of old low-margin products.

The first purpose-designed drugs of this sort are just beginning clinical trials – for example, Merck of the US has one code-named L-745,337. If all goes well, they may receive approval as prescription medicines soon after 2000.

However, an Nsaid called meloxicam, developed hy Boehringer Ingelheim of Germany, turns out by chance to be a more selective inhibitor of Cox-2 than anything now on the market. Meloxicam recently received marketing approval in France and the company expects it to be licensed within a few months in other European countries on the strength of clinical trials with 5,000 patients. It seems to have fewer side effects than existing drugs hut is unlikely to be as selective as the specially designed super-Nsaids.

None of these drugs is likely to threaten the popularity of aspirin in the near future. For one thing, the regulatory anthorities will want to see several years of evidence that they work safely as prescription medicines before they permit them to be sold over the counter.

And they cannot offer another of aspirin's benefits – the fact that, taken in very low doses over a long period, it reduces the risk of a heart attack. Small quantities of aspirin (a quarter of the amount needed to relieve pain) reduce the tendency of hlood platelets to clot together. Even if aspirin becomes redundant as a pain-killer, its effect on the heart sbould maintain its popularity well into the next century.

Clive Cookson

Throw a chicken in the air

Continued from Page I

hread, beer, newspapers and Franconia wine. This is costly but their customers feel it is an essential feature of being back on German soil.

On all short domestic flights from Frankfurt, Lufthansa has introdnced wbat it calls the Gate Buffet Service which enahles passengers to select their own food at the gate and carry it on board in a paper bag.

Swissair's passengers expect expensive food. "They would punish us if we served only peanuts and beverages on short flights," says Hansruedi Felchlin, of Swissair. "We once tried to get away with a *biber* (a stuffed pâtisserie) and orange juice and our customers rebelled instantly."

By contrast, most US carriers, despite their puhlicity, bave traditionally given low priority to food, especially on domestic routes, because they believe passengers want, above all, cheap fares.

Today the eating trend is towards lighter, healthier, simpler food. As an example, BA's Hafner cites the company's trio of grilled fish consisting of Arctic char, sole and striped bass, and a comfort food snch as steamed date pudding, which reconstitutes well in the air, and is served with vanilla-flavoured custard.

Jenny Sharp, head of BA's catering department, says that the airline's current food philosophy is to give passengers what they did not know they wanted. Instead of the traditional English breakfast on the Brussels route, for example, a Danish pastry with a hot savoury filling is served. Such fare, according to Sharp, is healthier than a fry-up.

Aircraft food 1940s style

Raymond Blanc disagrees. The renowned chef of Le Manoir aux Quat' Saison near Oxford, who also designs guest dishes for Richard Branson's Virgin Atlantic Airways, argues: "It's a contradiction in terms to offer passengers what they don't want because most of them know what they want." From his experience, they like food that does not punish the stomach, particularly heavy sauces that give passengers a hloated feeling after a long flight.

"But there is no reason to give two thirds of the cahin the worst food just because they are paying Economy," says Attila Dogudan, the Viennese restaurateur who supplies the food for Lauda Air, the small airline started hy Niki Lauda, the Austrian racing driver.

"These passengers are usually hungrier than their premium class counterparts," be adds. On an early morning flight to Vienna, the hreakfast in Economy had one item less than in Business. The menu included fruit salad, a selection of air-dried Tyrolean ham, Hungarian salami and cheese, muesli, crêpes stuffed with scramhled egg and ham, a croissant, an assorted hread basket including rye, freshly squeezed orange juice, a special apricot jam and tea and coffee.

To improve quality, Japan's ANA is experimenting with on-board steam ovens. These are essential for the production of their special sticky rice which can be easily handled with chopsticks. ANA has also devised an airline service cart that heats individual meals *in situ* rather than in the convection oven in the galley.

With Japanese meals, the visual aspect is just as important as the taste and quality, and ANA cahin staff are trained by the chefs. But the aurprise items on board are the organic vegetables and the organic carrot juice served for breakfast in First Class on ontward bound flights to the US and Europe. The carrot juice is of special interest hecause, while pressurisation causes a lack of oxygen, scientific research has shown the juice fixes the oxygen content in your cells. Thus you arrive in better shape.

Wines, which like food are also subject to change when drunk in the cabin, have to be carefully selected. In reds the tannin can hecome accentuated; in whites the acidity. In champagnes not only the acidity but also the expansion of the hubbles can detract from the taste.

To achieve good results, Air France employs special inspectors called *piqueurs* on board, while others hlend wines in-flight and go for fruitiness.

"It's difficult to tell some top vineyards that their wine does not fly," says Adrian Ort, of Cathay Pacific.

But forget the best vintages. They are bad for you and your jet lag. Stick to carrot juice to get oxygen fix.

■ *Farrol Kahn is the founder and director of the Aviation Health Institute, Oxford.*

هكذا من الأصل

هكذا من الأصل

PERSPECTIVES

Lunch with the FT

The not-so-gay hussar chews over life

Lucy Kellaway meets satirist Richard Ingrams

At one table in the Cay Hussar, a restaurant in London's Soho, I sat waiting for Richard Ingrams. At another, he sat waiting for me.

It might aeem remarkabla that anyone could miss Britain's foremost fogey and satirist, especially in such a tiny place. But he was tucked away behind the door and was, in any case, looking most unlike himself, as he was relatively well groomed and wearing a conservative suit and tie. Eventually, a waiter realised that these two sole diners were meant to be lunching together and led me over to join Ingrams, who ran the satirical magazine Private Eye for 25 years before retiring in 1986. He appeared to be reading an advertisement for the Isle of Man post office in the Oldie magazine he now edits.

I sat down beside him on a red velvet bench, so I had to turn my head to look at him. But, as he chose to stare straight ahead, I had a good view of his profile, which was greyer, thicker and more weary than I had expected.

I had been looking forward to this lunch. Not everyone cares for Ingrams, who was dascrihed by one newspaper recently as an uptight, ungenerous, censorious, pock-marked old codger. But I like his writing, and was expecting to be much amused.

Yet, 10 minutes into the lunch, we were having a stilted conversation about whether Country Lifa magazine cama out weekly or fortnightly. We had ordered our heavy Hungarian specials (fish dumplings and rice for me; pancake and potato for him) and refused wine. "I don't drink at all," he said.

Ingrams has been a regular at the Hussar for a long time. He boycotted it briefly after its long-time owner, Victor Sassie, sold out, and went instead to the nearby Groucho Cluh. Now, though, he says he does not like the Groucho and is back in the comforting plush of the Hussar.

"It's nice and quiet. At some restaurants, I can't hear a word of what people say. I went to a restaurant the other day called the Kensington something or other. I couldn't hear anything."

> Ingrams is 58 but, from the way he was talking, he might be 20 years older

While working on his just-published biography of Malcolm Muggeridge, he had endless lunches in a corner upstairs with cronies of the late British journalist and broadcaster – "Lord Longford, Hugh Carleton Greene, all those sort of people." Apparently, though, it was to littla avail: "People don't remember anything."

Ingrams is only 58 but, from tha way he was talking, you might think him 20 years older. Ha believes that the past was better and all the best people are dead. "When tha Muggeridge hook was commissioned, he was incredihly famous. But I hadn't reckoned on the speed with which someone like that is forgotten. It is to do with telly."

He went on: "It's ridiculous to write a biography of someone when they are alive." How, then, did that square with his own biography, a glowing account written by his friend, Harry Thompson, and published earlier this year? "I agreed to it because I knew he wouldn't do a knocking joh. But you're right – it all seemed a bit pointless."

While Ingrams is a master at handing out criticism, he is no tougher than the next person when it comes to receiving it. "It is quite hard to rise above. I mean, even an attack by someone like Paul Johnson. I know it shouldn't, but it makes me angry for a day."

He was referring to a less than favourable review that Johnson, a historian and fellow journalist, had just written of his book. "I did have a very good review in the Newbury Weekly News by someone who does not hava an axe to grind against me," he added. Newbury, west of London, is a small town close to Ingrams' home. I laughed, hoping he meant this as a joke against himself.

Given that his own skin is so thin, doea he feel remorsa about all those people he pilloried over the years when he edited Private Eye? "The Eye should attack powerful people. It went wrong going for some obscure people," he said. But he also claims to fael badly about Cecil Parkinson, a senior Tory cabinat minister who resigned in 1983 after revelations that he had fathered an illegitimate child with his secretary, Sara Keays.

"I felt I'd been used by Sara Keays," said Ingrams. "The story came in anonymously. I just didn't expect it to cause any rumpus. You just don't know what effect you are going to have.

"Some people are delighted to be attacked. For example, Alan Clark [another former Tory minister] is always sending me Christmas cards. But he has been absolntaly savaged." I said that Clark was not exactly typical and he mentioned novelist Jeffrey Archer, who, in his thirst for any kind of pnhlicity, is not typical either.

Ingrams has put his satirical skills to one sida in the Muggeridge hlography, which glosses over much of the latter's rampant womanising. Some people have concluded that Ingrams is going soft, an accusation that left him chewing on his pancake for some time. "I hope I'm not," ha said. "There was a time when Malcolm waa groping every woman he met. Should I list them all?

"If you do too much, it becomes boring like any long catalogue – terrible. But where I would criticise Mugg is for not facing up to his past. He blotted it out. He should have said: 'I may have done this that and the other, but now I see my mistake'."

Ingrams himself is often criticised for having double standards: a pillar of the estahlishment and its greatest scourge; a lampooner of sexual infidelities who has a broken marriage of his own and a girlfriend younger than his children. Yet, he does not consider himself a worse offender than most other journalists. "You could make the charge of hypocrisy against anyone. You need to be on your guard all the time and ask: can I justify this with relation to my own life? But I don't think Mugg was at all aware of that."

Wa started to talk of Muggeridge and his increasingly fanatical Catholicism. "I wanted to know to what extent he believed all the things Catholics are supposed to believe in. But I discovered that it is very difficult to pin down what people believe. If you ask me what my religion is, I'd find it quite difficult to define it. The whola point of life is to try to make progress all the time."

I asked if he felt he was continuing to make progress. "Well, hopefully, yes. I have just become aware of huge areas of ignorance. A lack of education generally. At school I was taught Latin and Greek: nothing else, really. I don't know anything at all about science. I have a duty to find out. History, too. I'm very ignorant about that."

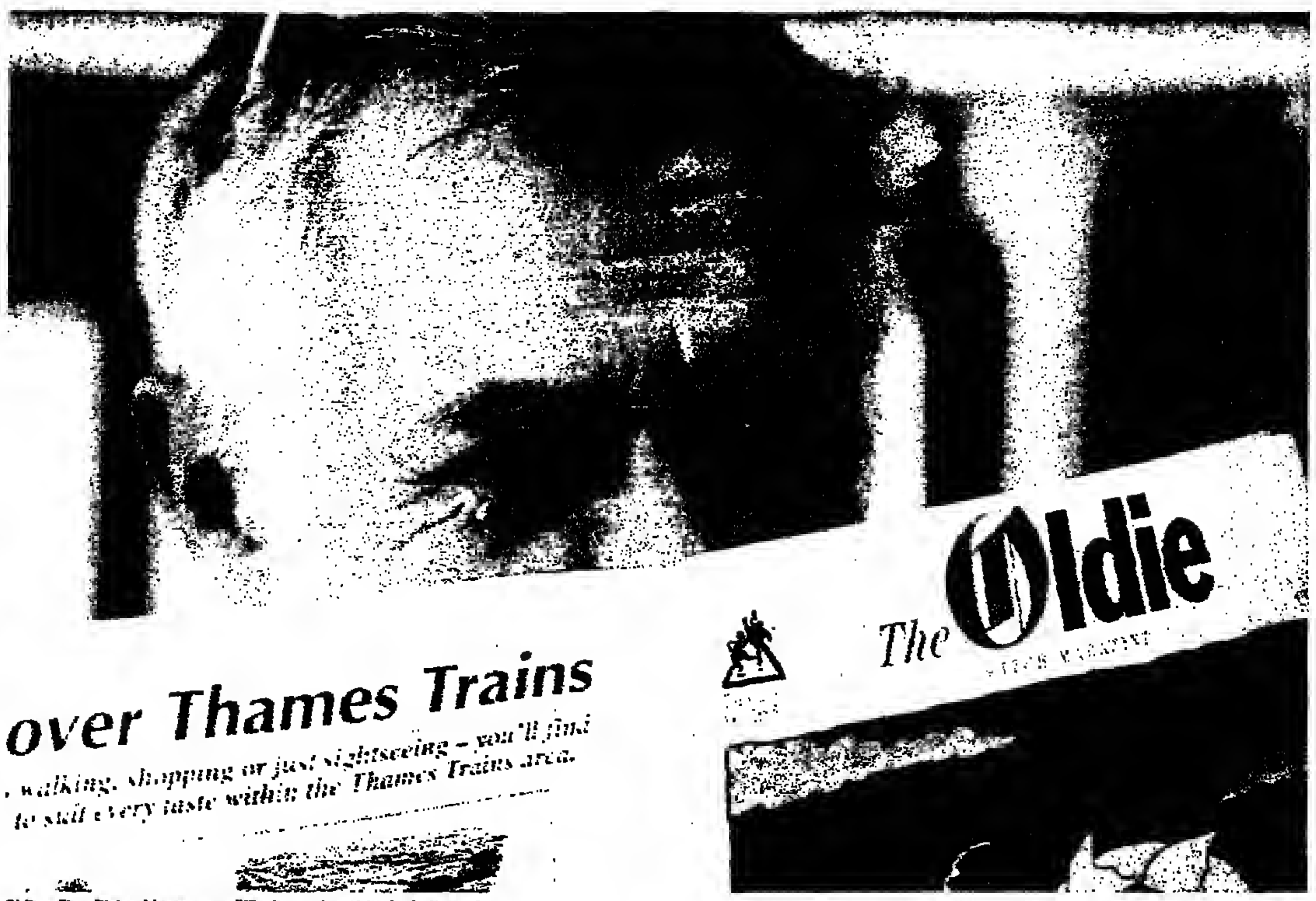
This bizarrely earnest conversation was brought to an end by a waiter asking if wa wanted pudding. Ingrams, having left half of the brown lump on his plate unfinished, declined. He said he normally had a sandwich from Marks and Spencer for lunch. I asked if he cooked, and he admitted to "developing a slight interest in cookery through the good offices of Delia Smith" – the popular television cook.

This new found domesticity also runs to staying in for *Coronation Street*. "I was reading today that they are going to have *Coronation Street* four nights a week instead of three. That will place a great burden on viewers." Ha gave a barking laugh and informed ma that poet Sir John Betjeman was also a great fan of the soap opera.

Returning to Muggeridge, Ingrams observed: "He just shut down when he was 70. He lost his sense of irony." There can be little danger of Ingrams losing his. On the way to our lunch, he had an unfortunate chance encounter with a woman who recently sued him for sexual discrimination after he fired most of the females on the Oldie staff.

At the time, he had put out a press release making a joka of the sackings and predicting the launch of "The Crone – a magazine for old bags". He is impatient about the whole matter. "If I had taken them all out to lunch, I would have been all right. But I just couldn't be bothered."

I am not so confident it would hava been all right. At the end of our meal, he was just as impenetrable as when we started. Was he bored? Or is that just his way? His biographer complained that he could not get to the bottom of Ingrams, and I see what ha meant.



Oldie editor, Richard Ingrams: a difficult man to get to the bottom of

Fergus Wilde

Diversions

A stroll through history

Peter Marsh discovers the delights of London's towpath

As you walk west along one of London's great, yet largely unknown, arterial pathways, the landscape softens. You encounter more grass and trees, and a better class of fisherman.

This is London's alternative waterway: not the well-trodden route that follows close to tha the Thames hut a wondrously historic 28-mile towpath next to the Grand Union Canal, linking Limehouse in the east and Brentford in the west.

Cutting through a large swathe of north London, for much of the time below street level and with only the occasional sightings of vehicles, the route provides a view of the capital that is always interesting, at times beautiful and above all different.

The hidden nature of much of the path gives it a curious, Narnia-like quality, as though you are looking at London from the inside out.

The sights range from nondescript to exotic. They include grim council estates and floating restaurants; railway goods yards and ornate iron bridges; the Heinz baked bean factory and the London Zoo aviary; the squat cooling towers of Willesden powar station and the soaring spire of Kensington's St Mary Magdalene.

While there are some modern huildings – such as a mosque and the sheds for the Eurostar channel tunnel trains – many of the features have changed little since the canal was dug around 200 years ago to connect the capital to industrial centres in the Midlands. Look out in particular for e magnificent, though disused, canopied warehouse for loading and unloading narrowboats at Brent Meadow Wharf.

Along the routs your most frequent companions are likely to be fishermen (and a few fisherwomen) for whom the canal is a permanent magnet. The ones in the east, close to some of London's poorest areas, make do with fairly rudimentary equipment. Further west, as you pass through the better-off suburbs of Greenford, Perivale and Alperton, they hava sophisticated carbon-fibre rods and special boxes for keeping e wide range of maggots, presumably to attract different types of fish.

Technically the Grand Union Canal in London is not one hut

three canals: the eight-mile Regent'a Canal which connects Limehouse Basin on tha Thames to Paddington Basin; the 13-mile Paddington Canal to Bull's Bridge; and the seven-mile stretch of the Grand Junction Canal which joins tha Thames at Brentford.

The different sections were dug from west to east over a 27-year period from 1793. The Paddington and Regent links allowed barge traffic from Birmingham (where the Grand Junction comes from) to drive directly through London rather than entering the Thames west of the capital.

The Paddington link was relatively straightforward and was completed without any significant financial overrun, hut the Regent section was much more problematic.

It runs through hillier ground and so presented the technical challenge of tunnels and locks. The Regent canal has two tunnels and 12 locks – tha Paddington stretch has none. The Regent route also went closer to built-up areas, leading its builders into disputes with landowners. Nor was the Regent's building programme helped when the canal'a architect, Thomas Homer, embezzled much of its development capital – a crime for which he was transported.

By the time the canal opened in 1820, much of tha momentum of the canal age had dissipated. The advent of the railways soon afterwards killed off its chances of proving a financial success.

Today, the walker may regard the ronte as just another way of getting across London. It is just about possible to finish it in one day, although most peopla might prefer to do it in sections. From Limehouse (close to a Docklands Light Railway station) the walk goes through an evocative, though somewhat grim, landscape of battered factories and disused wharves, brightened by the occasional well-kept back garden and the greenery of Hackney's Victoria Park, for which the canal acts as a boundary.

At City Road Basin, for the only significant stretch on the route, the walker has to leave the towpath and take to the streets as the canal flows through the 960-yard Islington tunnel. After this comes the best known stretch between Camden Locks and Littla Venice, which takes in the northern adge of Regent'a Park. Here, on a warm weekend afternoon, the towpath will probably be packed with strollers.

Heading west is perhaps the most pleasant part of the walk. The path leads through some good modern housing close to Paddington station and the open spaces of Wormwood Scrubs, with its dozens of football pitches and nasty looking prison. Ahead lie long sections where there will be few other walkers, with open views across stretches of near countryside.

The western anburbs are homa to larga numbers of moored narrowhoats with soothingly old-faahioned names: Top O' The Morning, Lancashire Lass, Ivy Rose, Autumn Days, Toots and Otter. Lots of light industry is packed around the Park Royal estate – one of Britain'a earliest industrial parks, which is the base for household names such as Guinnesa and Allied Lyons. The Regent Canal links up with the Grand Junction close to a Tesco superstore. A big Neatlé coffea factory announces itself a mile away by its smell.

The route is then a switch-hack ride sonth-east hack towards the Thames via six locks at Hanwell, which raise the canal 53ft. Watch out for the delightfully understated cast-iron Gallows Bridge a mile away from Brentford, close to tha elevated section of the M4 motorway.

The most technically accomplished part of the canal is probably the stylish aqueduct that carries tha waterway over the North Circular Road near Wembley – the most dangerous is the section near Boston Manor where a large goat may block the towpath.

For sheer pleasure, linger for a few minutes on the towpath opposite Kensal Green Cemetery, which is impressively shaded with trees and makes a glorious contrast to some large and surprisingly attractive gasholders on the south side of the canal. If – as happened in my case – a large flock of geese comes chasing over the canal at this moment, your enjoyment will be complete.

FOOD AND DRINK

Wine / Jancis Robinson

O for a beaker full of the warm South

For reliably ripe, luscious wines, ready to drink young from recent years (which have not exactly been untroubled in northern Europe) look south, to the Languedoc and southern Rhône Valley and beyond.

It has been a convenient shorthand to say that supermarkets, with their ability to buy in unthinkable bulk, are best at bargains under £5 a bottle, while independent merchants are better at offering dependable excitement at more than a fiver.

I have recently, however, come across convincing evidence that in the £4-£5 bracket, the independents are fighting back. Exhibits A, B and C are three characterful southern French reds from the precocious 1994 vintage at £4-something from traditional merchants.

(All, coincidentally, are members of the informal Bunch group of merchants which exists to guarantee its customers' safety when buying and storing fine wine – and to guarantee its members, I suspect, a jolly good gossip about the shortcomings of other retailers.)

Syrah, Les Plataines de Marquise 1994 (£4.65 from Lay & Wheeler, of Colchester, Essex) is a densely peppery archetypal Languedoc rendition of the north Rhône's great grape made from grapes grown in the foothills of the Cévennes.

Cuvée des Templiers 1994, on the other hand (£4.70 from Laytons of London NW1), is a Vin de Pays from the southern Rhône valley which has all the warm, juicy appeal of a Côtes-du-Rhône fashioned in drink-up style.

It is made mainly from ultra-ripe Grenache grapes with a hit of Syrah structure and a dollop of Cinsault and Carignan.

Adnams of Southwold, Suffolk, meanwhile has another Côtes-du-Rhône manqué in the rather softer, more Merlot-influenced form of Domaine Michel, Vin de Pays de Vaucluse 1994 at £4.50. These three wines are directly comparable with Oddbins' brace of delicious, round, supple red 1993s from the Costières de Nîmes *appellation* on the cusp of the southern Rhône and the Languedoc: Domaine Mas Carlot at £4.69 and Chateau Paul Blanc at £4.99.

But Adnams' real current excitement is a trio of stunning Italian reds at £5-something (validating the £5 theory). Their own special, unfiltered bottling of Rosso Conero 1993, Le Terrazze at £5.60 is everything one could ask of a gulpable Italian red: deep vibrant crimson colour, lovely soft damson flavour, and an appetising bite at the end.

Adnams claims it saved the wine from its usual pre-bottling filtration by a chance telephone call to the producers just as the wine was about to be bottled. "We could even hear the bottling line rattling in the background," reports Adnams' Simon Loftus excitedly.

Two other plums were extracted from further south by Nicolas Belfrage, the original Italophile Master of Wine.

Many a retailer now offers a Salice Salentino and they are generally good value if dense and occasionally explosively alcoholic. Adnams' Salice Salentino 1990 Vallone, £5.20, is *mercifully* tamer than most with a sweet fullness, only the merest suggestion of volcanoes and still some lively tannins at the end of the palate.

Pervini is a wine producer name to conjure with. The Belfrage/Adnams combination has come up with its admirable Primitivo di Manduria 1992 at £5.90, made from the grape known as Zinfandel in California (although which was chicken and which egg is still the subject of some debate). This almost sweet, 14 per center is saved from being completely over the top by its flick of appetising acidity and the overall impression is one of miraculous balance.

All three of these wines could be drunk with great pleasure this winter but should continue to improve over the next two or three years.

Adnams' Helen Duddridge has worked equally hard to nose out some plums from Portugal's evolving vinescape. Just to show that the supermarkets and chains do not have a monopoly on discovering the Australian effect in Europe, Adnams now imports a red and a white of table wine strength from the Douro (port) valley, two expressions of Portuguese vineyard tradition but fashioned by Australian-trained winemakers.

Quinta do Crasto 1994 at £5.50 (£5.49 at Oddbins) is an extremely modern, upfront deep red rendition of Tempranillo and Touriga Francesa, traditional port grapes, with great richness and life made by David Baverstock who is based in the Alentejo further south.

Dom Prior 1994 at £4.60 is the creation of David Guimaraens, another Roseworthy graduate, but this time raised in Oporto of Fonseca port-producing stock. This fascinating wine is made exclusively from one grape variety (unusual in Portugal), Malvasia Fina, grown in cool, high vineyards up the Douro valley.

The result is something powerful with a slightly apricot-like perfume and a little astringency for the moment but an enormous amount of character, its deep brown bottle quite rightly reminiscent of Château Grillet, the Rhône's most expensive white. Just the sort of non-identikit wine to bring out the best in an Australian education.

How to build new bridges over the Bosphorus

Nicholas Woodsworth gorges on swordfish, bluefish, turbot, calamari, shrimps, tuna and much more in Istanbul

We live in a world of sad impermanence. Time passes, cities change, fish restaurants we once thought immortal disappear.

Not so long ago, my favourite pastime on visits to Istanbul was sitting down to a meal at one of the restaurants on the Galata bridge. As sites for fish dinners go, it was hard to beat an establishment suspended from the underside of a floating pontoon bridge on the Golden Horn.

The traffic would rumble overhead, the iron girders encasing the restaurant would creak and moan, and the bridge itself gently dip and rise on the water. With a plate of turbot and a bottle of cold white Marmara wine, I would sit at an outdoor table there on a summer evening and think myself the luckiest of diners.

The fish may not have been always of the highest quality and the service raised eyebrows from time to time, but the place had atmosphere. Ships' horns hooted. Ferry boats came and went. There was something about gazing out on to the lights, the docked boats, the busy maritime traffic steaming through the Bosphorus that seemed to contribute to the taste of the fish itself. It was superb.

The old, floating Galata bridge has disappeared now, replaced by a modern one which is fixed firmly, efficient, and without a single fish restaurant. Where in heaven's name, I wondered as I walked across the new structure on my last visit to Istanbul, was I going to find dinner with the same maritime setting so close at hand, the same fishy pleasures offered up so congenially?

At the *Eminönü* ferry docks on the old Istanbul side of the bridge, I stopped to gaze, sniffed the air – and brightened up immediately. Somewhere, someone was grilling fish. I followed my nose past a Bosphorus ferry with gangplanks choked by boarding passengers and, at its stern, came upon the *Lale*, a pretty wooden boat with scrolly, painted woodwork on its bow and a star-and-crescent Turkish flag flying overhead.

I thought at first it was on fire. But no: the smoke and crackling flames coming from its open midships were contained in a large tinplate cooker. On one side of it was a grill, on the other a shallow frying pan at least 3ft across. Both were loaded with fish fillets, and two moustachioed Turks were working at full speed serving up fish sandwiches. The *Lale* was the Istanbul equivalent of the English fish and chip take-out.

The fire sizzled, the *Lale* rocked up and down, the fillets slipped about in the pan and, in a minute or two, I was eating a crusty hunk of fresh, baguette-like Turkish bread filled with hot fish and grilled green peppers and tomatoes. With no shop counter from which to offer condiments, the *Lale's* crew had wired little tubs of salt and sliced onions to the dock railings. The whole affair cost less than 50p. It was simple and delicious.

Munching great door-stoppers of sandwiches on a ferry dock was all very well as an afternoon snack – it is the fastest way to enjoy good, fresh fish from the waters around Istanbul. But it did not quite constitute the leisurely and sustained dining I had envisaged. So, that evening, I wandered off to Kumkapi, the Istanbul district on the Sea of Marmara where seafood has long been an established tradition.

It is a colourful, noisy, happy, hectic set of streets, and much too commercial. On summer evenings, traffic is blocked off, restaurant tables are set outside, and tourists

> Hunting out fish restaurants is a pleasant way of getting to know the towns along the Bosphorus

from all over the world squeeze through over-crowded streets. I found it hard to enjoy. Restaurant touts pushed menus at me, hungry tour groups wandered about, ambulating bands of gypsy musicians each played a different tune louder than the other. The seafood at Kumkapi may be fine, if somewhat over-priced. I never found out. I fled.

In a bar later that evening, over a calming glass of the cloudy drink the Greeks know as ouzo but the Turks call raki, I recounted my escape to Cevdet Uygun. A man who carried his considerable girth with pride and confidence, he looked a good bet to engage on any food-related subject.

Journalist, drinker, raconteur, admirer of women and immoderate lover of seafood, Cevdet is not a man, I discovered, to let obstacles get in the way of his passions. Possessed, like most Turks, of a vast sense of hospitality to strangers, he offered immediately to show me some of his own favourite eating places around Istanbul.

Hunting down fish restaurants is, without doubt, the most pleasant way to get to know the towns and restaurants along the Bosphorus. We left the next morning on one of the ferries that set the *Lale* rocking at its mooring and, for the next few hours, hopped back and forth between Asia and Europe.

There are many towns along these supremely beautiful shores, most with good fish restaurants, some of them highly sophisticated and expensive. Of them all, I preferred unsophisticated Sariyer: it remains the active, working fishing port it has always been.

Big, steel-hulled Black Sea fishing boats, their nets wound on hydraulic drums at their sterns, lay at their moorings in the harbour. Tiny little wooden craft with single-cylinder engines hammering away – pop-pop-pop-pop – arrived with more modest catches. It was a bright scene painted in lively colours: the boats bobbing in a fresh breeze; the green, forested hills rising behind the town; the brilliant blue, foam-flecked Bosphorus; and a port where all life was concentrated on catching, selling and serving fish.

There was a market where fish and crabs lay on iced beds of fig leaves and ferns. On the waterfront, small boys fished from the docks. Women shucked tubs of mussels. Whiskery old men sat in the sun preparing and selling hand lines. Under a sail rigged overhead against the sun, I talked to two net-mending fishermen who lamented, like fishermen all over the world, that fishing is not what it used to be.

The Bosphorus and Black Sea catches still come in nonetheless, for the display cases and live tanks of the restaurants along the water were full of treasures. At the Gaganoz restaurant, I gazed at swordfish skewered on kebabs, at bluefish, turbot, sea bass, mackerel, calamari, shrimps, small tuna, sardines, crabs, fresh anchovies, red mullet. All are caught locally, and all are delicious.

In the end, we reached the small port of Rumeli Kavagi, at the north end of the Bosphorus where it opens out into the Black Sea. There, I plumped for a small, whole *palamut* (or bonito), grilled and accompanied by a salad. Like the preparation, the restaurant where we ate, the Meydan, was simple: when the fish is as good as this, Cevdet reminded me, nothing need be complicated.

For real aficionados of Turkish fish restaurants, though, food alone is not enough. On my last night in Istanbul, Cevdet and I made our way to Mustaphapasha. Like Kumkapi, it sits on the Sea of Marmara. But the similarities end there.

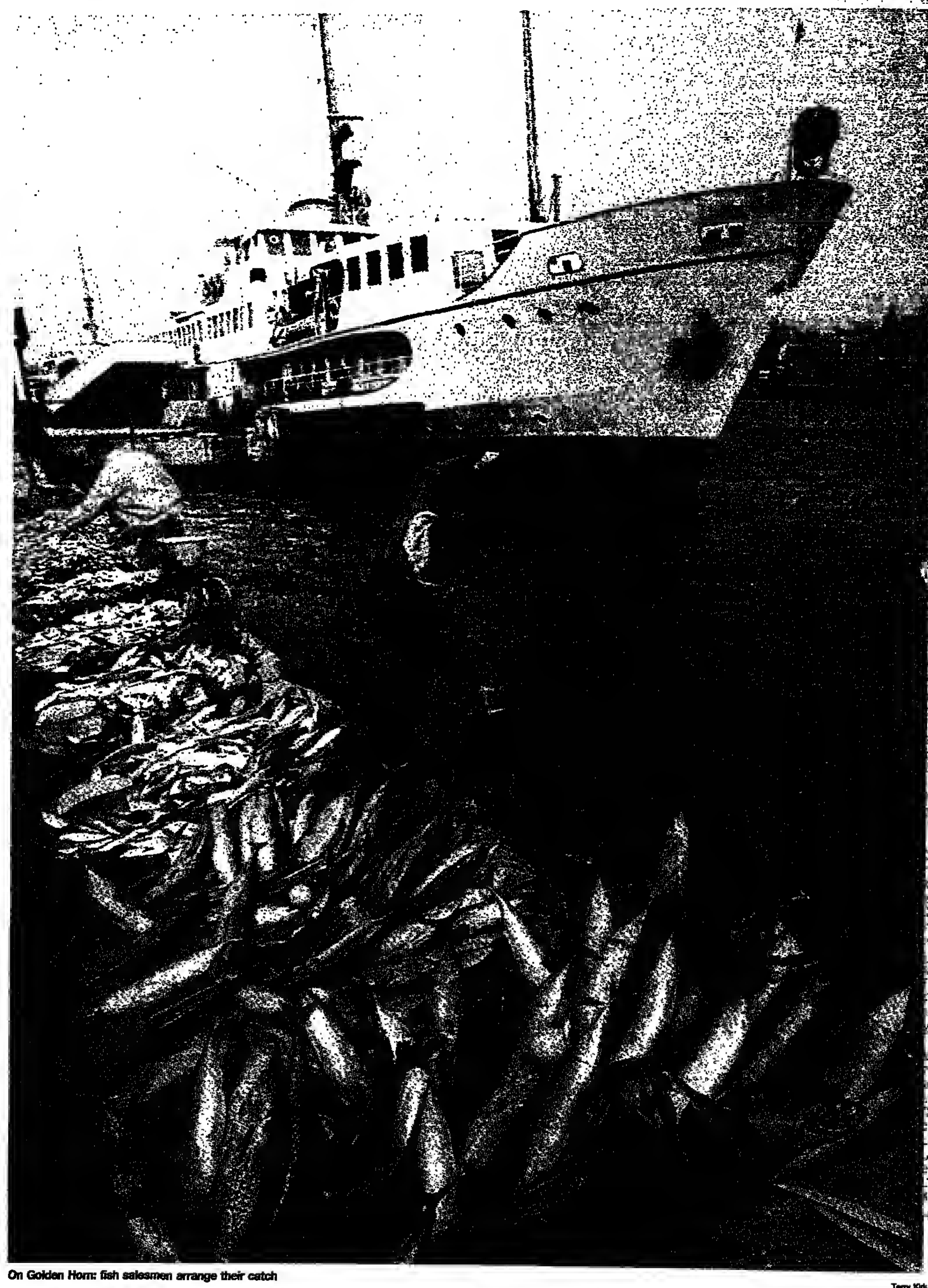
In the streets around the railway station, the fish restaurants are places where locals – many of them fishermen – gather each evening for company. What counts is not just the food and drink, but conviviality.

The table where we settled down with half a dozen Turks was loaded already with raki bottles, glasses and seafood *meze*, the small plates of spicy appetisers popular throughout the Levant. There was octopus in green olive sauce; tiny silver sardines cooked with red pepper and olive oil; rings of calamari deep-fried in batter; fish pickled in a rich *pilaki* tomato and pepper sauce; mussels sitting in their own shells on beds of cumin-spiced rice.

We made our own honourable contribution to the chaos on the table. But, as we enjoyed these marvellous things, we also enjoyed a constant stream of conversation and chatter with our neighbours. Turks are, after all, a Mediterranean people. "The food is just an excuse," Cevdet joked as he poured a tall glass of raki. "What we really love is talk."

We ordered plates of *meze* for our table companions, and they ordered for us. They told me about fishing on the Bosphorus, I told them about fishing in Britain. We ate, we smoked, we drank prodigiously. Somewhere, towards the end of the evening, our new friends invited us on a Bosphorus fishing trip.

It is an invitation I look forward to taking up on my next visit. Not just for the eating, either, but for the friendship. Old bridges disappear, but new and equally interesting ones get built.



On Golden Horn: fish salesmen arrange their catch

Terry Kirk

From Prussian royalty to Kevin Costner

It is not often that a grand old restaurant returns to life after nearly 50 years in limbo. Even rarer that it should come back to haunt a wing of the original premises.

Stranger by far, then, that this should happen in the centre of Berlin, a city flattened by Allied bombing in the second world war, and where a regime anathema to luxury installed itself in the ruins.

Borchardt was once the grandest of the grand. It was founded by Friedrich Wilhelm Borchardt in a neo-renaissance palazzo at number 48 Französische Strasse in 1853, as a restaurant and catering business with delicatessen and wine shop. It was rapidly taken up by the Prussian royal family.

Eight years later Borchardt was dignified with its first appointment to the court and in 1875 Friedrich Wilhelm was invested with the portentous title of *Kommerzienrat*, or commercial counsellor. Obsequious diplomats were not slow to take the hint and Borchardt went on to supply all the main embassies.

Borchardt catered for the great occasions of the Second German Empire: the Congress of Berlin in 1878; the last session of the Council of State before Bismarck's reluctant departure in 1890; and the opening of the Kiel Canal in 1895, when the company served 1,050 covers with 11 courses and six different wines in 55 minutes flat.

The restaurant was the scene of Friedrich von Holstein's little gatherings. The "grey eminence" of the German foreign office "thought that in the course of a half hour lunch he could govern the world". It was a sentiment which would have greatly appealed to early 19th century French gastronomic writers.

In the course of one of these sessions Holstein invented the *Schnitzel* which still bears his name. These days you are most likely to find it in France: a veal escalope with a fried egg on top. The original conception was more baroque: a veal chop "topped with a lightly poached egg and garnished with mushrooms, caviar, lobster and salmon".

Borchardt's dining rooms were originally much in favour with the provincial Prussian nobility, but things began to change after William II ascended the imperial throne in 1888 and the restaurant hung a portrait of the "All Highest" in its Red Saloon. Possibly the *Junkers* did not approve of the flashier style of the new emperor, perhaps the food had gone off. Whatever the explanation they began to look elsewhere. Theodor Fontane recorded their disaffection in his novella *Irrungen, Wirrungen (Aberrations)* of 1887.

Borchardt nevertheless retained its official patronage and its food and grocery business was booming. In 1899 it constructed a new wine and food shop next door at No.47 and refitted the restaurant at No.48.

But the war and the departure of the Hohenzollern kings and emperors knocked some of the stuffing out of Borchardt.

By the time Germany had recovered from the trials of inflation it had become fashionable to visit the new restaurants in the city's west end. Borchardt continued to be popular with the embassies, even during the second world war.

A former diplomat told Roland Mary, one of Borchardt's new owners, that the Nazis had used the place almost as a high-class brothel, planting prostitutes about the *chambres separées* to gain information from the remaining diplomatic missions in Berlin.

All this came to an end when No.47 was destroyed by an Allied bomb. For a while the East German regime licensed a restaurant called Lukullus in No.48, where formerly the wines and *gourmandises* had been sold. In the declining years of the DDR it became a storeroom, a discotheque, and, finally, a canteen.

Mary and his partner, Marina Richter, bought Borchardt from the state four years ago. The fine sandstone facade of the building was restored while they carried out further work inside the pillared ground floor room to reveal, among other things, a fine mosaic figure which had been lost under successive coats of paint.

In the courtyard they built a bar into the red brick building which used to house the old wine cellars and put out tables for al fresco dining in summer. Similar to the old Borchardt, the owners also have created an off-the-premises catering business.

But Borchardt's rebirth has not been without labour pangs: nearby Friedrichstrasse has been turned into a vast building site for the city's new shopping precinct. For two years Borchardt was forced to close. Besides being almost impossible to get at, there was no water or electricity.

The restaurant reopened in June. Not the pompous, old-world Borchardt with its *Junkers* and gourmand privy counsellors, but something on the lines of a smart Paris brasserie with decent, unpretentious food and wine.

Mary cites the Coupole in Paris and the Paris Bar in west Berlin as his models: he wants something lively and socially smart and is proud to admit that on a good day he might have a bevy of fashion models in one corner and the city's governing mayor, Eberhard Diepgen, or the former east German politician, Lothar de Maizières in another.

Of course you could argue that Diepgen and de Maizières are the modern replacements for the silver-chain swinging, cigar-puffing dignitaries of the Second Empire. But I could not help wondering who the equivalent of the Kaiser was. Mary took me down to the kitchens to show me a feast they were preparing for Kevin Costner that evening. Then I knew.

■ *Information: Borchardt, 48 Französische Strasse. Tel: 00 49 30 20 397 110. Lunch DM70, dinner DM100.*

Giles MacDonogh

هكذا من الأصل

FOOD AND DRINK

Trade secrets of a Chinese chicken chopper

Kieran Cooke on his local food stall in Kuala Lumpur

If there was a chefs' Olympics then Ah Fat, proprietor of my local Kuala Lumpur food stall, would surely win a gold medal. Ah Fat's speciality is chicken chopping.

He lifts the plucked and cooked beast down from its hook on to a chopping board the size of a truck tyre. A quick examination, a sharpening of his mighty cleaver, a few lightning movements of the wrist and hey presto – the bird lies on a platter, neat as an Ikebana display. Once I timed him: one minute and eight seconds from first cut to last chop.

The Chinese food business in the west is dominated by the Cantonese: even restaurants specialising in regional Chinese dishes are usually run by families from Canton or Hong Kong. One of the joys of eating in south-east Asia is the availability of countless authentic Chinese regional dishes – usually best eaten at roadside stalls, at knockdown prices.

Ah Fat's ancestors came from the island of Hainan, off the south coast of China. The various groups among the 30m Chinese that left southern China over the centuries specialised in certain sectors: some went into tin mining. Others cornered the gold trade. Some joined the underworld of the triads. The Hainanese went into catering.

In the old days no British colonial house in Malaya or Singapore was without its set of Hainanese "houseboys" – greased-back hair carefully combed, white jackets that crinkled with starch, cotton sandals padding across the verandah with the whisky sours.

The Hainanese not only cooked British food – they could cook it just as badly or as well as the master of the house required. Mushy peas and congealed sprouts. But magnificent toad in the hole and gooseberry fool. The Hainanese opened restaurants serving British style cuisine: surprisingly some locals gained an appetite for "chicken chop Hainan style" and, even more exotic, "Welsh rarebit with bull's eye egg".

Only a few of these establishments survive. The cooks and waiters are now old and a little grumpy. It seems few want to eat this peculiar English tropical food any more. Soon, no one will remember the ingredients of a good mulligatawny soup or know how to knock up a mouth-watering rhubarb crumble or sherry trifle.

But in Chinese cuisine the Hainanese still have a firm grip on one very popular segment of the market – the chicken rice business. Ah Fat and his colleagues chop thousands of chickens each day, serving portions at about M$1.50 (60 US cents) each.

Chicken rice is a simple dish to prepare: it is also one of the healthiest, highly recommended for any jittery tummy. One evening when business was quiet, Ah Fat sat over a beer and divulged a few trade secrets.

First, find your chicken. Ah Fat once went to see a brother in England. He was appalled at the chickens on the supermarket shelves. All fat and water. For chicken rice, the bird has to be relatively small and lean: any fat should be peeled off and put to one side.

Wash and salt the bird. Cut a generous amount of fresh ginger and, together with spring onions, put inside. Seal with toothpicks. Bring a large saucepan of water to boil: put the chicken inside, bring to the boil again and then simmer for about 30 minutes.

Take out and immerse in a basin of cold water for one minute. Drain and rub sesame oil all over. Meanwhile, wash rice, drain and fry briefly in some of the fat taken off the bird earlier. Then boil the rice in the chicken stock (for cooking rice Asian style the level of liquid should be one joint of the first finger above the top of the rice).

When the chicken has cooled, chop off the wings and thighs and halve them. Chop straight down the breast bone and then cut each side of chicken into 1in pieces, always leaving the flesh on the bone. (The Chinese cannot understand the western predilection for carving meat off the bone.)

Mix soy sauce, sesame oil with a small amount of chicken stock and pour over the chicken on the dish. For garnishing, use some cucumber slices and Chinese coriander. The chicken pieces can be dipped in a side sauce of pounded fresh chilli, together with a little lime and soy sauce.

The stock can be served as soup. A 3lb chicken should serve six people: Ah Fat recommends this either as a light lunch or one of two or three dishes to be served at dinner. He advises against novices trying to break any chicken chopping records.

Cookery / **Philippa Davenport**

Taming wild rice on the Camargue

Arles was once a Roman power base in Gaul. Its splendidly sited amphitheatre (now a setting for Spanish and Provençal style bullfights) is one of the largest of the ancient Roman world. The canal built by the Romans for fast access from the city to the sea made it an important port and trading centre. Even now the Saturday market in Arles is said to be the best in Provence, bringing together all the riches of the region and favourite imports too.

All manner of fresh foods are to be found there, from fat sun-ripened vegetables and fruit to live poultry and rabbits. Other meats include bulls from the bull ring (sometimes roasted whole in summer, usually cooked *en daube* in winter with garlic, anchovy and orange) and spicy *saucisson d'Arles*. This is traditionally made of three parts pork, one part beef and a little donkey meat for good measure.

Salt cod is relished hereabouts – *le grand aioli* is *the* regional dish. Freshwater fish such as zander is plentiful while the sea yields fine cuttlefish, tiny crabs, shrimps and mussels. Best of all are pebble coloured thumbnail-size clams called tellines. The Arlesians love them so much that they have earned the nickname telliniers.

Long soaking is needed to rid tellines of sand. They call for careful cooking and perseverance to eat – but what a treat. Cooked and dressed with olive oil, wine, garlic and parsley or herb fennel, they are as tantalising and more-ish as pistachio nuts. Sucking the salty-sweet flesh from them, as you sip wine or pastis in good company, is a most agreeable way to while away time.

Cheeses on sale in Arles market are sure to include *chevre*, *brousse*, medicinally strong *lou cachat* and the delectable little *fromage d'Arles* known as *persillé* with its soft bloom rind and faintly melting centre.

Usually you will find mounds of olives, just as they are or marinaded, fresh walnuts in season, honey, cakes and sweetmeats, lentils, rice, couscous, herbs, dried flowers and leaves for tisanes, and just about every spice imaginable, not to mention Provençal pottery, basketwork and the brightly printed cotton fabrics made internationally famous by Soleiado.

Look inland and you are in van Gogh country: the yellow ochre wheat fields, the olive groves, vines and sunflowers. Turn towards the Mediterranean and you see, embraced by the two meandering arms of the Rhône, the seemingly endless flatlands of the Camargue, legendary home of semi-wild white horses, stocky black bulls bred for the bull ring, sunset pink flamingoes, cowboys (les gardiens of the bulls) and gypsies.

The Camargue is an extraordinary mix of marshy wilderness and rich agricultural ranchland. Alas, the area is mosquito paradise. But I fell under the spell of the place nonetheless, not least I suppose because I was protected and cosseted at night by staying at Le Mas de Peint, Le Sambuc (tel: 90 97 20 62, fax: 90 97 22 20), an old farmhouse newly converted into a comfortable eight-bedroomed hotel of exceptional stylishness.

The Camargue used to be famous for its salt marsh lamb but in recent decades sheep farming has given way to crop cultivation. Field upon field of herb fennel is grown for flavouring pastis, and rice culture has increased by leaps and bounds.

Rice was first introduced by the Spaniards in the 14th century but its cultivation petered out over the centuries. Interest revived in the late 1940s when

major drainage and irrigation programmes were introduced, paddy fields were built and new strains of rice came on stream.

Long grain is more fashionable now than short grain rice. The longer the better. And the taste for novelty is strong in those for whom rice is a supplementary food, not basic rations. Scarcity value can also heighten appeal and the tale of the birth and development of Camargue red rice is undoubtedly romantic.

Fifteen years ago, a farmer called Griotto noticed a rogue plant in one of his paddy fields, dramatically coloured and standing head and shoulders above the rest of the crop. He picked it when it was ripe and found it was a spontaneous mutation, a chance cross between a locally cultivated rice and an indigenous wild red grass, the beads of which do not normally produce mature grains.

The 30 grams of grain yielded from this single head were, for 12 patient years, planted, nursed and replanted by Griotto and his son Serge until they were sure they had a cultivable and saleable commodity. The Griottos' enthusiasm and devotion to the grain they have gently and successfully cajoled on to the marketplace is understandly akin to that of proud parents.

It is good grain. It is decorative, nutty and feels agreeably full in the mouth – yet it is not unbearably heavyweight, as some brown rice can be.

I had my first taste of it at Le Gavroche in London, where it was used to great effect in a dish of mussels with wine, herbs and cream. At Le Mas de Peint, in its native Camargue, it was served with bull meat hung long enough to render it so tender that it could be cooked until just pink, dressed with a simple jus. Back in my own kitchen I have successfully teamed the grain with pot roast partridge and quail.

This year is the third of commercial production and the first of the new season's crop should start to trickle into our shops on or about November 4.

QUAIL WITH RED RICE, SHALLOTS, RAISINS AND ALMONDS
(serves 4)

8 quail; 20 shallots; 2oz raisins; 2oz slivered and lightly toasted almonds; 4 fl oz Marsala; ½pt poultry stock; 1-1½oz olive oil or unsalted butter; parsley, thyme and bay leaves; 5oz Camargue red rice; 1 bunch or pillow pack of watercress.

Melt the fat in a Le Creuset buffet casserole or other heavy flameproof pot that will take the quail snugly side by side. Brown the birds all over, adding the shallots after the first minute or two to colour them well too.

Pour on the Marsala and let it bubble up vigorously. Add the stock and bring back to a fast simmer. Stir in the raisins, the leaves stripped from several sprigs of thyme, a bay leaf or two and a grinding of pepper.

Turn the birds breast downwards and lay a sheet of greaseproof paper directly over them. Cover with a tight-fitting lid and cook at 400°F (200°C) gas mark 6 for 5 minutes. Then reduce oven temperature to 350°F (180°C) gas mark 4 and cook for about 25 minutes more until the meat is meltingly tender.

To cook the rice, boil it in plenty of well salted water with sprigs of thyme and parsley for flavour. The instructions on the packet suggest 30 minutes boiling followed by 10-15 minutes rest. I find 25 minutes and 10 minutes respectively are enough.

Transfer the cooked quail to a warmed serving dish, tucking the shallots and watercress among them. Stir the almonds and raisins into the rice and spoon it round the birds. Boil up the cooking liquor until reduced to your liking, check seasoning and serve it in a gravy boat.

Eating out / **Nicholas Lander**

Tales from the water's edge

The pleasure of eating well and calmly in a waterside setting is surely under-rated. Three recent meals, dinner in Scotland, lunch by the Thames and an indifferent pizza by a French canal, have reminded me how even a mediocre meal can be made enjoyable if eaten beside water.

In the early 1980s, I ate a memorable lunch at Berowra Waters, a restaurant now sadly defunct, in Australia. There were two ways to reach Berowra; either by by boat, across the Hawkesbury river, or by sea-plane from Sydney harbour. Looking out across the water, you could concentrate on eating exquisitely and peacefully.

Water, supported by stunning scenery, humbles any diner into passive enjoyment as I discovered in June this year when visiting the Altnaharrie Inn, across the loch from Ullapool on the west coast of Scotland.

To reach the restaurant, run by Fred Brown and Gunar Erikson, you must leave the car at Ullapool and take the boat.

"It doesn't matter what car the customer arrives in," Brown explained, "they all have to clamber into the boat and when they arrive here they're absolutely equal."

Dinner that night included a bisque made from crabs caught in the pots floating outside the restaurant. They were of concentrated, lingering flavour. After dinner, we walked along the water's edge in the beautiful near-midnight light which only Scotland can provide at that time of year.

Yet the pleasure of eating well by the water's edge is easily available to those who live in England.

One experience not to be missed is at the Beetle & Wedge, in Moulsford, Oxfordshire. If you are going by train arrange for a taxi to meet you at Goring station (£3 each way).

If you are leaving from central London, catch the Thames Turbo from Paddington. The journey offers views of the Thames, riverboats, moorings and allotment gardens.

When you arrive at the restaurant you will be unable to decide whether to concentrate on the wine list, the menu or the views. The location is so lovely that, from June until October, at least one wedding reception takes place there every weekend.

Should your table be in the lower half of the restaurant you are seated close to the cooking range, with chef/proprietor Richard Smith at the grill. Smith, with an almost professorial demeanour, in chef's jacket, pin stripe trousers and half-moon glasses, ensures that all his raw ingredients are correctly oiled and seasoned before grilling. The sight of a whole Dover sole, made almost translucent by the heat from the charcoal underneath, was mouth-watering.

> The sight of a Dover sole, made almost translucent by the heat, was mouth-watering

Main courses from the grill include steaks, salmon, calves liver, kidneys with black pudding, bacon and a grain mustard sauce and a pan of crispy, rosti potatoes. From the kitchen come the starters – a salad of grilled goat's cheese, a spicy cuttlefish salad, mussels *à la crème* or a warm pigeon salad – and more intricate main courses. We could choose from a whole roast English red partridge, baked red mullet or a fillet of hake.

Puddings are gargantuan – an apple and blackcurrant crumble, meringues with Guernsey cream or a chocolate truffle cake. A wine list invites you to experiment by not charging you for what you leave in the bottle (so long as you drink at least half). Friendly waiting staff complete the picture and after lunch you can even walk along the river bank with the Smiths' companiable dog.

■ *The Beetle & Wedge Hotel, Moulsford, Oxfordshire OX10 9JF. Tel: 01491-651381, fax 01491-651376. Ten rooms, B&B £75-£125. Restaurant £30-£35 per head. Boathouse £20-£25.*
■ *Altnaharrie Inn, Ullapool IV26 2SS, Scotland. Tel: 01854-633230, fax 01854-633303. Dinner, B&B and drinks will cost around £300 per couple.*

FASHION

Designers who want to keep jeans on the march

Denim has its dedicated followers, says Tamasin Doe. And the manufacturers love it

In 1981, 15-year-old Brooke Shields breathed the words: "Nothing comes between me and my Calvins" and 15m pairs of Calvin Klein jeans promptly marched out of the shops. It was a performance that beat the pants off Gloria Vanderbilt – the first to put her name on the pocket of her own jeans. Two years before she had sold 6m pairs.

But Calvin and Gloria between them had made jeans a sexy, upmarket garment. They took the symbol of western revolution out of Woodstock and put it into Studio 54, disco palace of bourgeois hedonism.

Status jeans, it seemed, were the future for designers of casual clothing. The denim industry had not looked so lively since the mid-19th century when the Strauss family sent younger brother Levi out west to make money from the Gold Rush. He started by trying to sell his heavy-duty canvas for tents in the Sunshine State; the miners told him that what they really needed were trousers.

The designer jeans business today is the antithesis of Levi's original canvas trousers held together with copper rivets – then they were proper working men's trousers. They are now as important to a designer's marketing strategy as a signature perfume.

Jeans are one of those happy few products, along with scent and hosiery, which allow the designer to sell large quantities without compromising his image. Nobody will forget the lesson of Pierre Cardin who put his signature to a frying pan.

Jeans are also a canny way of picking up teenage customers in the hope of fostering designer loyalty. "The jeans line will push brand awareness," says Robert Bensoussan, president of Christian Lacroix, which has just introduced a jeans line. "It will find another Lacroix customer – the 18-year-old who will be looking for more than a basic pair of jeans."

And they will certainly be getting more than a basic pair of jeans. Jeans de Christian Lacroix feature the same cultural cocktail that has endeared him to, and at times alienated him from, the rest of the fashion world – a heady mix of traditional cloth, highly embellished with Hawaiian flowers and Mexican embroideries. Lacroix explains further: "Let's say that I like to think that the 'denim' fabric comes from Nimes, just as my family does!"

Romeo Gigli, who has also joined the jeans-making ranks, also likes to cite his country's working history with the jeans trade as a reason for moving into designer denim (jeans were named after the home town of Genoese sailors who wore an early version of them).

American designer Todd Oldham, another newcomer to the market this autumn, joins the Europeans in moving on from the usual five-pocket, western style jeans and a jean jacket – he has used the fabric to reinvent Oxford bags, with a high waist and loose legs designed to flap around in time to Northern Soul music.

All three designers have included tailored coats which could just as easily have been cut from camel-coloured wool – in other words denim is useful in providing designers with the perfect opportunity to produce other ranges in response to a recession in designer sales.

At a time when the market is flooded with designer versions of the standard five-pocket style that differ only slightly in cut, price and, of course, name, it seems obvious that designers have to move on. The style itself is simply a vehicle for the label and the logo.

There are fan clubs which care about these details. Members swear that when they spend an average £79 for their jeans they are receiving a unique product which could not be bettered by any other label.

Customer Rhona Daniels from North London is selecting her tenth pair of Armani jeans. "Nothing," she says, "suits me as well as these do. I did try Moschino once because my next door neighbour raves about hers but they weren't the same." Does Daniels wear ready-to-wear Armani? "When I can." Would anything persuade her to wear Moschino? "Not in a million years."

Although she agrees that both pairs are as comfortable as each other, the issue is actually about her not wanting to be seen as a Moschino woman. "If I'm wearing a white T-shirt and sneakers, that label will fill in the rest of the information about me. I want to give out the right impression," she says.

Adrian Moore, a Chelsea football club and a Valentino fan, agrees with her. "I've got to be honest, the label does matter to the boys. They'd laugh me out of a match if I turned up wearing Versace jeans."

Levi can fairly argue that when designers enter the jeans fray, they will simply be toying with 501s, the first and for many the best, the most authentic, jeans style.

As American as Raymond Loewy's Lucky Strike packet, anything after deep indigo shrink-to-fit 501s would seem to be tinkering with perfection. Levi isn't complaining. "It's great to have designers in this field. It keeps the denim market interesting," says Roy Edmondson, the company's marketing director.

Designers try to keep one step ahead by introducing innovations that would not be feasible for the mass-market. Armani, for instance, is launching a new range of recycled denim next spring and Versace offers a few extras which are built-in to make customers feel they have not simply bought a derivative of Strauss's invention.

These include a spare stud button and a hologrammed label designed to prevent counterfeiting. To make the counterfeiters' job really difficult, Versace also gives every pair its own identification number – which presumably can be registered at police stations along with the video recorder.

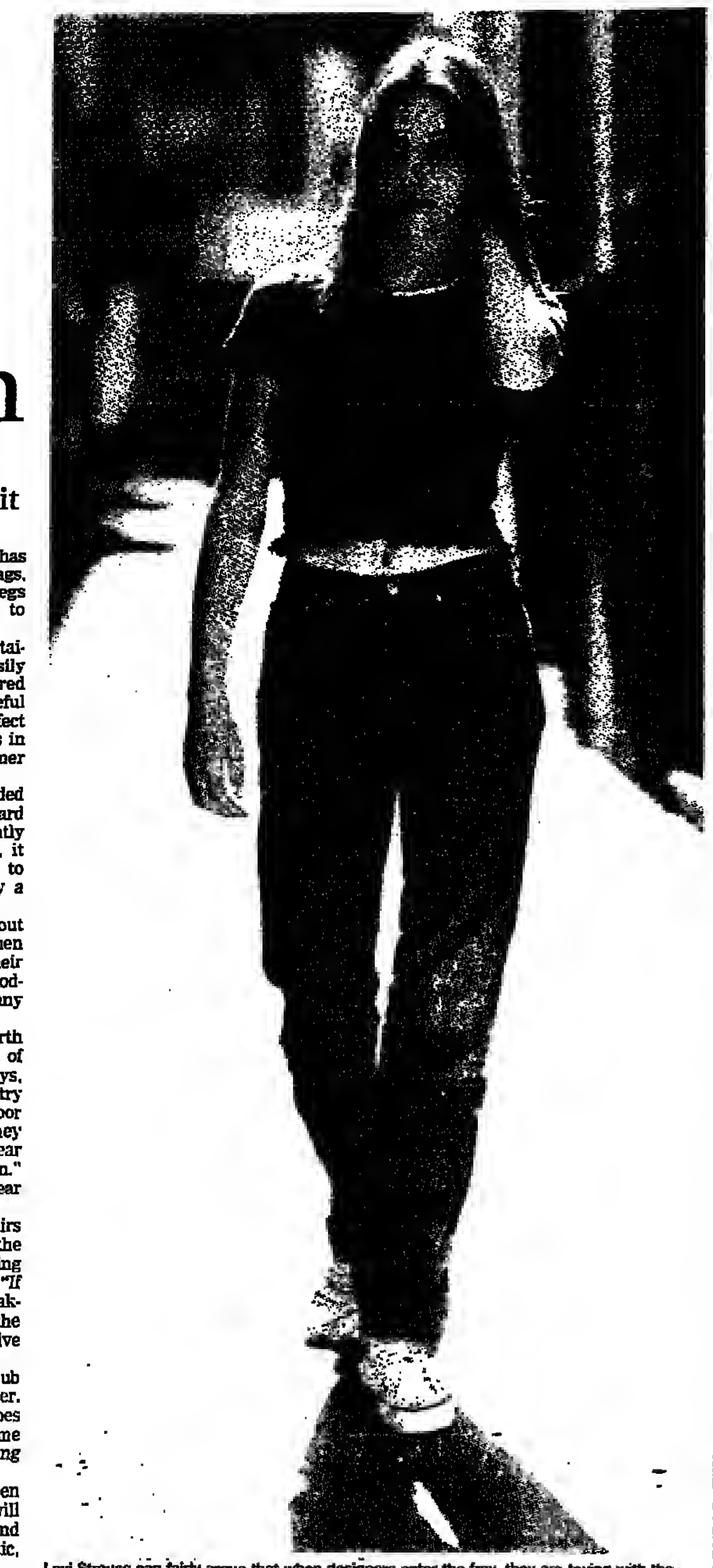
Evisu is a Japanese company that has set itself apart from the competition by charging £150 for each pair of jeans and feeding them so slowly into a few British outlets that they have acquired a cult status.

Another innovation this autumn is Miracle Boost jeans which promise to do for the bottom what the Wonderbra did for Eva Herzigova's chest. The advertising campaign illustrates a derrière supported by a giant underwired bra, like a Vivienne Westwood folly.

But one Italian manufacturer talks of an impending down-turn in the popularity of the denim five-pocket style. Which explains why the new contenders, which hope to win a slice of the British market worth £1.2bn a year, are developing other garments.

One company which has taken an individual route is Gucci.

Creative director Tom Ford's velvet hipster jeans for autumn have been walking out of the shop. "Every time we sell jeans in the collection we sell out," said a representative.



Levi Strauss can fairly argue that when designers enter the fray, they are toying with the authentic 501s, seen here for women at £49.99

Street fight

Richard Rawlinson lines up the opposing sides

The equilibrium of Savile Row has been disturbed by a significant happening in New Bond Street.

The two world-famous clothes shopping streets run parallel to one another but they have never had a great deal in common. New Bond Street stands for chic high fashion with its line-up of ready-to-wear boutiques of international designers such as Chanel, Yves Saint Laurent, Gucci and Christian Lacroix. Savile Row is symbolic of timeless good taste with its roster of quintessentially English suitmakers such as Gieves and Hawkes, Huntsman, and Henry Poole.

However, proudly displayed in the window of the Polo Ralph Lauren store on New Bond Street is a new range of suits of such classical elegance and luxurious quality that the bespoke brigade could be forgiven for suspecting that the US designer is taking them on at their own game.

They have reason to be anxious. Lauren has just launched his Purple Label, a collection of suits combining the characteristics of custom-made tailoring with high style.

The finest cloth from English and Italian mills is cut and stitched by hand at the factory of the Savile Row tailor, Chester Barrie, for the Purple Label collection. Other bespoke details include working buttonholes on sleeves, a choice of lining, dress extension waistbands and a price tag of around £1,200.

But the suits' main appeal lies, not so much in the touches, but in the cut. Jacket shoulders are broad and sloped and the torso is narrow with high armholes and a decidedly nipped-in waist. Trousers are loose-fitting with pleated front and wide turn-up. This silhouette reminds one of the Duke of Windsor, Cary Grant and *Wall Street*'s Gordon Gekko at the same time: a hybrid of aristocratic refinement, old-style Hollywood glamour and high finance flashness, which somehow looks sophisticated and modern. Lauren says it makes a man look powerful and hip at the same time.

But the Purple Label suits are made to order rather than made to measure. The customer tries on ready-made samples in regular sizes, which can then be adjusted to fit his length and width. He can choose between double-breasted or single-breasted styles in navy, charcoal or black and fabric pattern options of plain flannel, glen plaid, beaded or chalk stripe.

Sir Hardy Amies, the men's and women's wear designer who this year celebrates his 50th anniversary on Savile Row, is among those who believes nothing beats a suit that has been built on the body layer by layer. He also claims to be nonplussed by Lauren's taste. "Ralph [which Sir Hardy pronounces Rafe] has given himself a magnificent image by superb advertising," he says. "The whole ambience is of East Coast WASP. But double-breasted pinstripe is not WASP, it is nouveau-riche, fraudulent financier. I have always felt sympathetically towards Ralph, but why he has gone and copied the worst elements of Italian off-the-peg styling I cannot imagine."

Lauren did not reply to this criticism, but, in an interview with American GQ, the glossy magazine, he said: "There is more stress and aggravation in custom [made] suits [than made to order]. I have had custom suits that have not come out as good. The quality from our factory is more consistent."

It is true that a bespoke suit often provides unbeatable comfort and fit for those prepared to endure several sessions with the tailor. There is also no reason why custom-made suits cannot be as contemporary in shape as those from innovative and influential designers. While Savile Row is known for its ultra-traditional City and country clothes, its younger tailors, such as Richard James and Ozwald Boateng, will make jackets and trousers in any colour and fabric, be it dandy green velvet or the aforementioned gangster pinstripe.

However, for some men, having to choose cut and cloth and communicate their preferences to a tailor is a hassle they can do without and one which could lead to a potentially costly mistake. They would rather let designers do the thinking and see the results of their experience in ready-made form before buying.

The Purple Label offers prepackaged style with some of the benefits of bespoke. If anything, Lauren has done Savile Row a favour. His lavish marketing campaign will help promote the street worldwide. The sculpted fit of the suits is likely to appeal to athletic, younger men who buy off-the-peg but who may now better appreciate the beauty of custom-made. At a time when fashion is becoming increasingly casual, Lauren is also persuading us that smart is cool again.

Charcoal chalkstripe wool/cashmere two-button suit from Ralph Lauren

هكذا من الأصل

HOW TO SPEND IT

A downtown for every sort of shopping

But visitors will be stunned by the number of zeros on the bill, says Emiko Terazono

The Japanese have not allowed themselves to he deterred by the continuing reports of gloom in the country's economy – shopping remains one of their national obsessions, along with karaoke and pachinko, the Japanese pinhall game. The main shopping areas in central Tokyo are crowded at weekends as shoppers search for cheap imports and other bargains which have started to become available since recession hit.

But while prices for everyday goods have come down considerably, bargain hunting should not be on the visitors' agenda. In Tokyo, designer brands, antiqnes, art and other crafts remain luxuries even to ordinary Japanese. Visitors will still he stunned by the number of zeros on the hill and should plan their spending carefully.

Tokyo consists of a number of crowded "downtowns" each with an identity of its own. Getting around is easy via the subway system, which is clean, hright and cheap. Taxi drivers, on the other hand, tend to come from the country and often need directions; non-Japanese speakers are advised to ask a local to write down destinations for them.

If you are in search of Japanese designer brands, get off at Omotesando station in the western part of Tokyo. Lined with tall zelkova trees, Omotesando street, with its restaurants, Parisian style cafés and flagship boutiques for the leading Japanese designers, is the trendiest in Tokyo.

Although brand names snch as Issey Miyake and Comme des Garçons tend to cost less than they would in Europe, this can be cancelled out by recent currency fluctuations. One note of caution is that while styles tend to be loose-fitting, the range of sizes can be limited. Tokyo stores usually stock small and medium sizes, which can be a drawback for tall shoppers.

Issey Miyake's colourful Pleats Please line, which comes in one size intended to fit everyone, may he an answer. Although some of Tokyo's leading department stores started offering their own hrand of permanently pleated clothes a few years ago, the designer, who has a patent on the pleats technology, threatened them with legal action. Issey's shirts, skirts and jackets, which are permanently crumpled rather than pleated, are also in fashion, although slightly more expensive.

Comme des Garçons' one-floor boutique, where jackets and skirts made of plastics and wool are the newest fashion, is across the street from Issey. Shoppers looking for Yohji Yamamoto's boutique will find the dimly lit store further down the street. Although the interior is quite modern, with dark steel shafts and pillars, the atmosphere is almost medieval. The soft-spoken attendants, in their long dark Yohji numbers, glide around like nuns in their flowing robes.

A short walk from Yohji is Yoku Moku, a blue-tiled café which offers elaborate desserts and expensive coffees. Recently it has become trendy to sit in Café des Pres, an imitation of a French café, though in Tokyo passers-by seem to stare inside at the clientele rather than vice versa.

Another stylish café in the area is in the Spiral Building where there is also an art gallery on an elevated platform with modern Japanese and western art on show. The Spiral Market on the second floor has a selection of washi, or Japanese molded paper, pottery and chopsticks as well as fashlonahle trinkets from Europe and the US.

You do not have to be a fashion freak to appreciate Omotesando. In the basement of the Hanae Mori huilding, which offers a conservative collection for both sexes, shoppers can find a row of antique shops. Kikori is the most famous, with branches around Tokyo.

Gallery Kawano, in the back streets of Omotesando, offers a wide selection of silk antique kimonos made in the Meiji era of the late 19th century. Antique kimonos are cheaper compared with new kimonos because Japanese tend to avoid used clothing.

Antique kimonos on sale in Gallery Kawano: antique kimonos are cheaper than new because Japanese avoid used clothing

Photographs: Emiko Terazono

While the price of a new kimono can cost over Y1m, Kawano's items range from about Y2,800 to Y46,000. Intricately woven ailk obi, or sashes, can he hought for Y4,000 to Y18,000, and can be used for table centres or displays. Antique happi, the traditional cotton coat worn by merchants, are popular both with Japanese and foreign shoppers and the stock is declining.

Further down the street towards Harajuku is Oriental Bazaar. While its exterior looks a little touristy, it offers a good selection of pottery, kites and prints and remains a favourite among visitors and expatriates – Jean-Paul Gaultier was recently spotted shopping there.

A few stores down, Kiddyland, Japan's first toy shop, offers a convoluted array of toys, stationery and other gewgaws. Trying to choose from the store's vast range of goods can be daunting for adults. Some parents, attacked by pangs of guilt when they see how little their child has compared with what's on offer, later regret buying so much.

Music aficionados must visit Tower Records in Shihuya which, according to the store manager, is the largest in the world – though he admits that it has yet to apply to the *Guinness Book of Records*. The chances of finding that long sought-after CD is quite high since it stocks about 450,000 CDs of 100,000 artists.

The Seibu department store offers the latest fashions for Tokyo's young crowd, and also offers Seed, for cutting edge design, and Loft, which has a wide selection of stationery, gifts and sportswear.

While in Shibuya, make time to visit the seven-storey Maruhan Pachinko Tower, which opened in July.

For the short-stay visitor, the most convenient places to shop are the department stores. Matsuya in Ginza, and Mitsukoshi, Takashimaya in Nihonbashi, are among some of the more traditional stores and offer a good selection of ceramics, lacquer wear and other souvenirs. The yukata, the cotton kimonos worn in the summer or for nightwear, can be had quite cheaply.

Shopping in the large department stores can be an experience. Get there for opening time and be greeted by bowing attendants. The elevators are operated hy mannequin-like "elevator girls" who announce each floor with squeaky child-like voices.

The high street retailers' elaborate food floors are invariably in the basement. A wide range of expensive fresh and prepared foods including organic vegetahles, delicate cakes, prepared food and boxed lunches can be bought. In the evenings, just before closing time, the atmosphere is that of a large outside market, with employees at hooths selling produce which cannot he stored until the next day, shouting out discount offers.

Ginza is also home to Ito-Ya, a large department store specialising in atationery. It is famous for a wide selection of washi, or hand molded paper made from coarse woodpulp and bark fibre. The washi section, which is in one of the two annexes, offers over 2,600 different kinds of paper, including washi which can be put into computer printers, ranging from Y26 to Y2,000. Various items made from washi, including lamps and luncheon mats are also available.

Ukiyoe print shop, Toshusai, sells authentic woodprints from the 18th and 19th centuries

One area where prices have been particularly affected hy the recession – in favour of the shopper – is electronic goods. Many audio retailers have been forced to shut up shop in Akihabara, the electronics goods centre, and prices of gadgets have dropped sharply.

Akihabara is one of the few places in Tokyo where shoppers haggle, and attendants normally agree to take 15 to 20 per cent off if cash is offered instead of credit cards. While Akihabara may equal Hong Kong or Singapore prices in some top Japanese hrand names, shoppers are ill-advised to purchase computers and computer accessories, since prices are far higher than in the US or Europe. For duty-free purchases, remember to bring a passport.

Akihabara and the surrounding lower east part of Tokyo is part of Tokyo's shitamachi, or the downtown area of old Tokyo in the feudal ages. Ueno, Asakusa are also part of shitamachi, along with Kanda and Jinbocho. Although much of the area lost its character during the development craze of the late 1980s, some small houses remain tucked away in the back streets.

One such traditional wooden structure is Yabu, a soba restaurant in Kanda. In the Meiji era, customers took a dip in a bath in the bamboo garden, and ate soba – brown buckwheat noodles eaten dunked in soy-flavoured broth. The etiquette when eating noodles is to slurp. A favourite joke among Japanese abont foreigners' relnctance to slurp is that they have some kind of physical deficiency.

Those seeking ukiyoe woodprints may find something in Jinbocho, the area for books, old and new, calligraphy and antique art. Book stores there sell prints used as illustrations for old volumes of traditional texts.

Toshusai, a small print store, deals in authentic woodprints from the 18th and 19th centuries. Prices range from about Y10,000, and can go as high as Y5m, depending on condition. Reproductions are considerably cheaper at around Y5,000 to Y7,000. Prints made in the Meiji era, when Japan started to open up to outside influence, are gaining popularity. Most print stores in Jinbocho are closed on Sundays and national holidays.

In Ueno, hrowse through Ame-Yoko, or American Alley, the biggest black market area after the second world war. After the Korean War, the area became an outlet for surplus army goods. The street is reminiscent of its black market past, with jeans and leather goods stores sandwiched between fish stores selling squid and chunks of salmon roe and candy and cookie wholesalers.

For the kitsch gift, go to Kappabashi for the plastic replica meals one sees in restaurants. The replicas are made hy pouring wax over the real food to create a mold, into which plastic is then poured. It is tacky pop art – with a piece of sushi costing about Y2,000, it makes an expensive souvenir.

In Ryogoku, the home of the sumo wrestler, visit sumo stables to watch the wrestlers in their morning training and look for sumo memorahilia. Have chanko, the traditional sumo hot-pot, which contains various kinds of meat, fish, vegetables and tofu, for dinner. Kawasaki, a chanko restaurant, has a real dohyo, a sumo wrestling ring.

■ *There are approximately 158 yen to the pound sterling*

Issey Miyake boutique: clothes come pleated or crumpled

TRAVEL

Selous game reserve / Ruaha National Park

A stroll among the lions and rhinos

Weekend FT writers go on an African safari, offering views on the best places to visit and how best to protect a fragile environment. Here, **Lucia van der Post** visits two camps in search of 'vanished freedom', far away from the camera-clicking crowds

Africa always has a surprise in store. "Come to the Selous in August," they said. "It's the best month of the year. Dry, oot yet too bot, and animals are easily seen drinking at the rivers and lakes." It was, of course, tempting fate. We arrived in a thunderous downpour. The grass was green, the animals dispersed.

We had come because I had wanted to go to the Selous Game Reserve in Sonthern Tanzania for years. A vast wilderness roughly the size of Ireland, 52,000 square kilometres of Miombo woodland, savannah, marsh, lakes and dry sand rivers, it has fewer than 2,000 visitors a year and is one of the last remaining areas where you can have the sort of walking adventure that I had in mind.

There is a passage in Denys Reitz's classic book *Commando*, on the Boer War, that never fails to make me homesick for the Africa I oever knew. There he describes bow in the South Africa of the late 1880s be and his brothers led a Tom-Sawyer-like existence "riding over the game-covered plains by day and sleeping under the stars at night, hunting, fishing and camping to our beart's content".

That, for me, sums up why many of us keep going back to Africa – to recapture that sense of vanisbed freedom. You will not find it in the big national game parks where you are confined to closed trucks and mini-buses; nor will you find it watching a lion kill in the company of a horde of camera-toting, video-whirring fellow tourists. What you need are the hard-to-get-to places or the places where the facilities are a bit below par or there is something like tsetse or the threat of a little bit of discomfort to keep the hordes at bay.

But vanished freedom is definitely what we had come for and vanished freedom is Richard Bonham's speciality. Bonham (though only in his early 40s) is one of those old Africa hands who looks so at home in the bush, in his khaki shorts, gun in hand, that you feel something essential in him would die if he ever had to queue up for the number 11 bus.

Bonham now has his own camp and coocessioo on the

The Ruaha: on no one's route to anywhere — Nick van Gruisen

North bank of the Rufiji – a small (just six cottages) and very upmarket camp called Sand Rivers perched overlooking the Rufiji river so that you wake to the sounds of snorting hippos, the cry of the fish eagle and the harsh racket of the hadeda ibis.

You can fly straigbt into Sand River's own little airstrip from Dar-es-Salaam or you could do what we did, which is to ease your way in gently, divesting yourself of metropolitan angst by degrees, by stopping off first at a charming tented camp called Mbuyini. It sits on a little promontory on a bend in the river and you can spend happy days tootling up and down the river learning to tell the grey heron from its black-headed near relation, picnicking beside tbe lakes fringed by Borassus palm trees and tracking the local pack of hunting dogs.

Then, if you are very very lucky, Bonham himself turns up to take yon up-river by boat, drifting past the nesting storks and hippo pods, arriving in old-fashioned style at the wooden landing-stage of Sand River.

At Sand River you go on game drives through the 15 or so square miles of Bonham'a private concession or you walk with a well-trained guida through the bush or you go on jaunts up the river sure of seeing hippo, crocodile, waterbuck and buffalo and hoping for a sighting of the rare Rock Pratincole or the even rarer leopard.

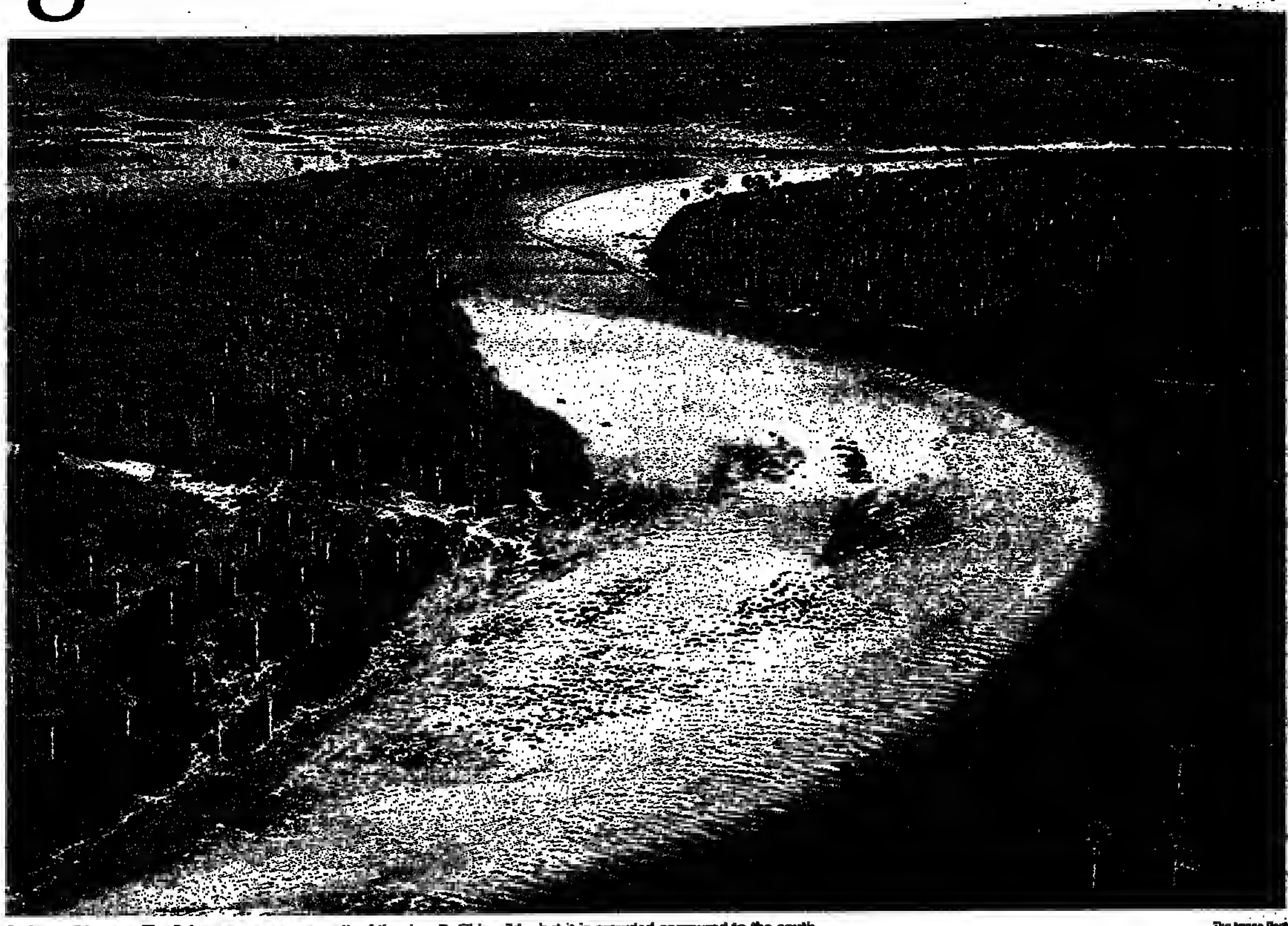
But, above all, you get the chance to sleep out on the sand river bank in a little mosquito net. We spent a magical 24 hours walking with Bonham and a game scout for miles along the sand river which we had entirely to ourselves.

We went to sleep watching packs of hyena coming to feast on the bones of a dead buffalo by the light of the full moon and listening to that spine-chilling noise of the lion roaring in the distance.

At dawn we breakfasted on scrambled eggs and bacon and then set off to walk back to base, climbing np small hills for better views, sometimes resting quietly beside lakes decorated with drowned palm trees, watching a Goliath heron balancing precariously on the back of a hippo and flocks of open-billed stork circling high in the sky.

All this is just a taster for the real treat, the thing that makes Bonham's outfit special, which is his long portered walks into the Southern Selous. The Selous north of tha Rufiji is wild by most people's standards – it has just six lodges (of which Mbuyini and Sands River are much the best) together catering for no more than 100 people at a time.

Bnt that is crowded compared with the Selous south of the Rufiji. This is serious wilderness country, the country that Peter Matthieson, Tom Arnold and a very young Bonham explored 16 years ago on what they dubbed the "last real safari" (and which Peter Matthieson wrote about in *Sand River*). Here there are no lodges at all – just a few temporary tented camps in the bunting blocks and Bonham's occasional mobile camps.



Serious wilderness: The Selous game reserve north of the river Rufiji is wild – but it is crowded compared to the south — The Image Bank

For a usual minimum of two weeks (and the real luxury would be to have three or four) and a maximum of 10 people, you can truly enjoy that sense of vanished freedom – you can sleep under the stars, fish (but not bunt) and camp to your heart's content. With Bonham as your guide (and maks no mistake – without him this would be a hazardous enterprise, for these are rivers in which you do not dangle so much as a toe and this is bush in which you could easily have a fatal encounter with an angry black rhino or a fiercely maternal lion) you can also walk – all day if it pleases you – until you are ready to drop. He will take you on fly-camping trips up river, tracking black rhino or searching for hunting dog (now rare in the rest of Africa but still apparently thriving in the Selonsi.

The animals in this part of the Selous are shy, skittish and hard to see but the quality of what you see when you are on foot (just wait for the adrenalin surge when a hippo looms up in front of you and there is nowhere to hide) is so much more intense that yon will, I promise, remember it forever. The real kick comes from the sense of being in the wild, of you and your little group being alone in areas little visited by man, with nothing but the earth, the animals, the sky and the water around you.

This kind of Tom Sawyer-like life does not come cheap – costs vary between $350 and $550 a day, depending upon the size of the party – but an extremely high level of comfort and food is conjured up in a well-run camp.

The Selous may be one of the greatest, least visited reserves in Africa but the Ruaha National Park must run it very close. Most people I mentioned it to had never even heard of it. Keep it that way. Whisper its name very, very quietly, and only to those you know and trust. It is wild, unsophisticated, little visited. No smart lodges, no candlelit, black-tie dinners, very few vehicles. It is on no one's route to anywhere. You come only because you love the Ruaha.

> There are no smart lodges, no black-tie dinners, and few vehicles in the Ruaha

The place to stay is Chris Fox's Mwagusi Safari Camp. There is also the 110-bed River Camp which is much nicer than it sounds because the cottages are tactfully deployed along the river but Mwagusi has that sense of intimacy, of quiet, of being surrounded by bush which are the hallmarks of the camps I love best.

Chris Fox comes from an old Tanzanian family and is regarded as so eccentric that on the African bush-telegraph he is known as that mad Mzungu (whiteman).

His little tented camp (just six) is pitched beside the almost empty Ruaha river bed and there, through our tent door we could watch the giraffe, the zebra, the baboons, come down to the sandy river to play as we drank our morning tea or had our afternoon siesta.

One amazing night we lay scarcely able to move as a lordly leopard gave a text-book rendition of its sawing cough along the river bed outside our tent for two or three bours.

By day you have adventures with Fox – he finds you cbeetah (we watched three cocky adolescents up to no good for something like an bour and a half), lion prowling, rows of palm trees filled with nesting white-backed vultures, pairs of jackals hunting, impala, roan and sable antelope. If you want to walk he gets a game scout to come along and you can climb up hills to find where the black eagles nest, you can walk along river beds tracking lion, have a sun-set amble along the river bed or walk along the rift valley escarpment.

After the sun goes down everybody gathers round the camp-fire as the gossip of the day is exchanged. Tales are told, the exploits grow wilder as the drink is passed round and you do not really want to be anywhere else in the world.

■ *All three camps, Mbuyini, Sand River and Mwagusi Safori Camp can be booked through Abercrombie & Kent, Sloane Square House, Holbein Place, London SW1 8NS. Tel: 0171-730 9600. In addition Richard Bonham's portered walks in the Selous are normally for a minimum of two weeks but if there is enough interest he is exploring the possibility of organising a series of one-week trips. Anybody interested could contact his company directly ot Nomad Safaris, PO Box 24133, Noirobi, Kenyo. Fox. 254-2-882728.*

Kalahari Gemsbok National Park

Stones mark the border

And the dunes stretch as far as the eye can see. **Michael J. Woods** reports

Across the dry bed of the Anob River the cheetah lounged behind sparse bushes, her dark shape against the light sand blurred by the undergrowth. Through binoculars it was possible to pick out the faces of three almost grown cubs lying in more dense scrub nearby. She was hunting for four.

A small herd of springbok was moving slowly down the valley towards us. They faltered whan a black backed jackal, bored with waiting for the cheetah to kill, trotted purposefully among them intent on finding its supper elsewhere.

They briefly left ths river bed when the buck led them to browse on the steep valley side. But slowly, and seemingly inevitably, they moved towards the cheetah, nibbling the short thin grasses on the way.

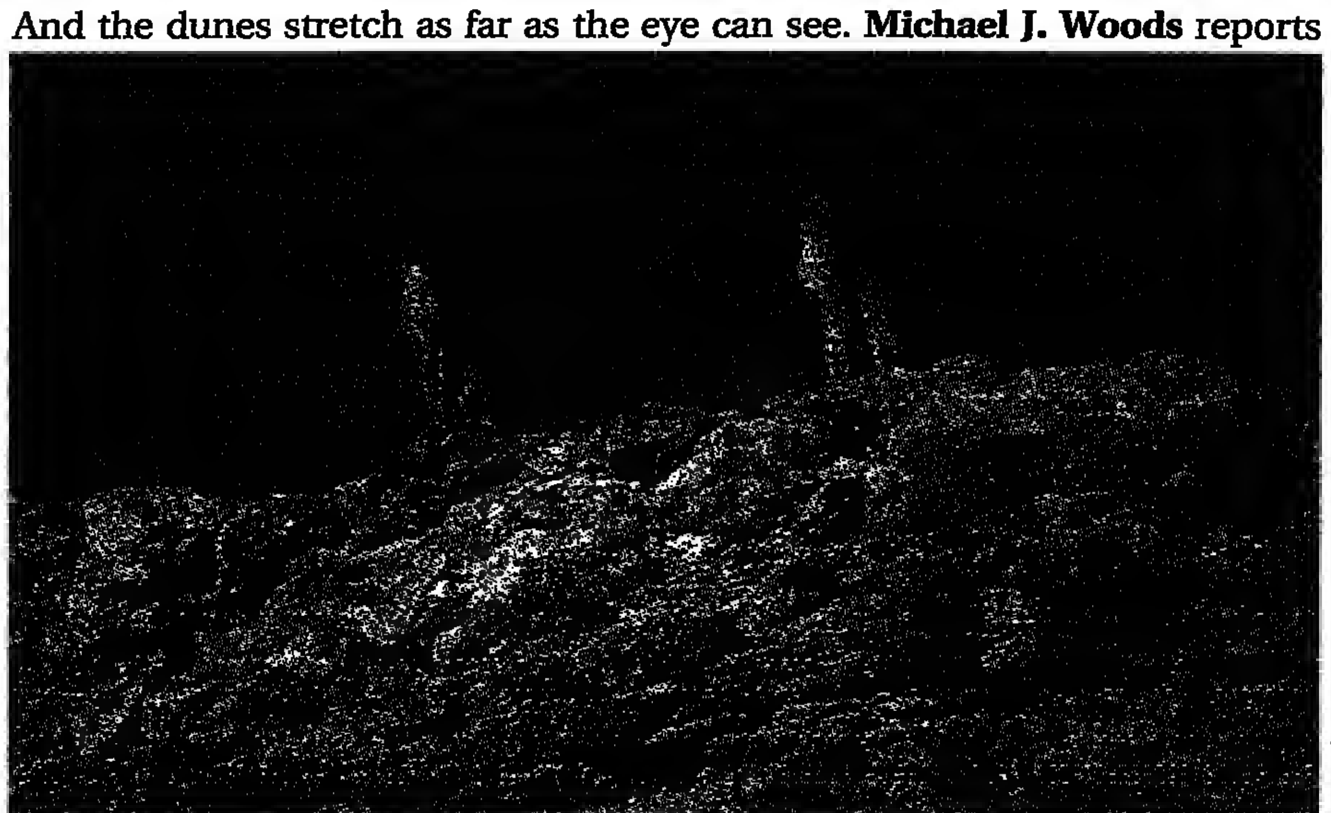
As the entelope drew near, the cat shifted from her relaxed sprawl to lie on her belly, her body flattened in the dust and palpably tense. The highest points were the knees of her muscular hind legs, taut and ready to thrust her into action.

At this point some of the herd became suspicious. They turned towards her staring hard. One or two even took a few tentative steps in her direction as if to investigate the strange shape.

With the element of surprise rapidly evaporating this was her cue. She sprang from her hiding place and flew towards them, small spurts of sand flying into the air at each long bound.

The herd split and she followed two animals down river until tbey climbed the bank and sped off into the desert leaving her to flop, hungry and panting, on the river bed.

In his book, *The Guide to the Kolahori Gemsbok National Park*, Gus Mills suggests that this is tha best place in the world to see cheetah and our sightings of 10 of them in four days reinforces his claim.



The Kalahari Gemsbok National Park is said to be the best place in the world to see cheetah — Michael J Woods

Kalahari Gemsbok is a little known park, an inverted V-shaped piece of South Africa protruding northwards into the Kalahari Desert between Namibia to the west and Botswana to the east. The park itself lies between two rivers, the Auob and the Nossob at wbose confluence, Twee Rivieren, the main camp and entrance to the park is located.

Although apparently remote, by flying via Johannesburg to Upington and picking up a hire car, it was possible to be there well within 24 hours of leaving Britain. In addition to Twee Rivieren, I stayed at the only other camps in the park at Nossob and Mata-Mata, all of tbem run by tbe National Parks Department.

In the north of the park I met two South African zoologists who took me to meet one of their study groups working with meerkats. Meerkats are a speciality of the area and these slim members of the mongoose family were already up when we arrived. As the sun crept into the shadows to search ont and melt the overnight frost, they stood on their hind legs outside their burrows to warm their bellies in its rays. The animals were constantly on the alert, their masked faces turning back and forth to scan the sky for raptors.

Their numbers in the park have been seriously depleted by the recent drought during which the area has received its lowest rainfall for 20 years, a meagre 30mm as opposed to its normal paltry 200mm. As a result this meerkat group was down to just four individuals.

Meerkats are not the only mammals to be affected. Many herds of herbivores have migrated, marching in pursuit of better rains elsewhere in the Kalahari, but the more territorial carnivores are tied to the area. The cool of winter meant that they were active all day in their efforts to assuage their hunger and, in addition to cheetah, we watched leopard, hyena, black-backed jackal, honey badger, bat-eared fox, and yellow and slender mongooses as well as catching a distant glimpse of lion.

The desert nights were chilly and the days sufficiently pleasant to allow us to spend lots of time in the park. I was not surprised to discover that beetles and other invertebrates find these winter nights too cold for comfort and consequently confine their activities to the warmer daylight hours. Their predators, such as bat-eared foxes, followed auit and were more visible than normal.

The National Parks Board recognises that the Kalahari Gemsbok shares its ecosystem with the Kalahari National Park in neighbouring Botswana. As a result there are not fences, just simple white atones to mark the border between the two countries and the same waves of dunes, covered with buff grass and the occasional grey bush, undulate into the distance.

With the coming of the new South Africa, the two parks are negotiating a joint management agreement in order to coordinate tbeir activities. The result will be the largest area protected for wildlife in southern Africa.

On our last afternoon we came upon another mother. Her fresh kill lay under a bush 400 metres away and she was taking her offspring to feed.

But something was worrying her. She sat like a post staring resolutely into the distance. We tried in vain to find the focus of her attention. Suddenly she was flat on the ground, her cnbs cowering beside her.

On a faraway bluff stood a male leopard, a threatening figure full of menace and impending doom. But he failed to spot the cheetah. With antelope so scarce and cubs to feed, she could ill afford to lose her hard-won kill to him.

■ *Michael Woods' fly-drive to South Africa was arranged by Southern Africa Travel, PO Box 372, York YO3 4YW; tel: 01904-692469 or 0171-924 4008. He flew with South African Airways tel: 0171-312 5000 and his hire car was supplied by Avis.*

Fuel can only be bought with cash in South Africa. Banks are scarce and you should budget accordingly.

'Guide to the Kalahari Gemsbok National Park' by Gus Mills and Clem Haagner is published by Southern Book Publishers.

هكذا من الأصل

TRAVEL

Botswana

Please do not leave your tent at night

John Westbrooke has some close encounters in a little-known area

Savuti South is an upmarket game lodge. Guests sleep in big, walk-in, zip-up tents. The ablutions block, where each tent has its own bathroom, is just 30ft away. So why the chamber-pots under the beds?

"We don't recommend that guests leave their tents at night," explains Graeme Labe, general manager of Gametrackers, the outpost of the Orient Express group which owns a number of these lodges in Botswana. "They're not fenced off, and animals are free to walk through. Some of them can be dangerous."

After dinner, we are about to go for coffee round the campfire ("bush TV") under a wide, starry sky when Graeme suddenly stops. "Leopard," he mutters. Staff switch on their torches and, agog, we watch a lithe, spotted cat drinking from the bird bath 10ft away.

It seems unconcerned at being in so many spotlights, but everyone stands well back anyway. Leopards do not behave as handsomely as they look: unlike most carnivores, they may kill for the sake of killing.

Finally, it ambles off into the night and we all go to bed in silence. Nobody leaves the tents until the staff come round in the cold dawn shouting "Knock, knock! Tea or coffee before the game drive?"

Savuti used to sit in front of a river, but it vanished a few years ago, so we drive out into the arid semi-desert of the Chobe national park. We clutch checklists provided by the lodge to note the animals and birds we see, from mongoose to elephant, dlsbevelled marabou stork to dazzling lilac-breasted roller, Botswana's national bird.

Later in the day, we fly in a light, humpy aircraft to another Gametrackers lodge, Khwai River. This time, we are staying in solid brick chalets (not entirely mosquito-proof) with facilities en suite, and a river is still flowing out front. Hippos, baboons, crocodiles and sable come out for midday drinks – and these are just the species visible without moving from the bar.

The country around Khwai River ia a mixture, some of it wsving savannah (which means animals find the grass too unpleasant to eat), some forested, some swamp, some wilderness where elephants have trampled down trees and bushes. The ground looks devastated, but many of the plants start growing again at ground level, thus providing food for smaller animals.

Everywhere you go, these ecological pros and cons are heard. Yes, fires are awful, but they clear the land for regrowth. Yes, drought is terrible, but it encourages the big game to move away in search of water and lets smaller fry flourish. Yes, hunting beasts to extinction is a bad thing, but allowing a little hunting, for a lot of money, provides valnabla funds. (Botswana permits this, though Gametrackers does not take part.) Even snch apparently benign buman intervention as sinking water holes upsets the natural order to some degree. It is probably a good idea to try to ensure the survival of endangered species, but anything beyond that is the source of endless, insoluble debate.

The game viewing starts early. We stroll along the river, followed by suspicious hippos walking through the water, and learn some not very useful facts about hyena dung, buffalo spoor and why termite mounds face west. After two hours, we arrive at a champagne breakfast spread out under a tree, and an open van ready for further bush driving.

Animals are wary of creatures with two legs, pith helmets and cameras, but seem not to notice them in the back of vans, which they apparently see as some sort of harmless mobile rock. So, to our joy, the drive brings us to within 20ft of a couple of lion prides.


Yawning and snoozing: life with the lions is mostly eating and sleeping

Glyn Genin

One group is lying under a tree yawning and snoozing and giving somnolent cuddles to the cubs. Tha other is polishing off a giraffe under a tree, and yawning and snoozing. Life with the lions is mostly eating and sleeping. They sometimes scavenge food killed by byenas and, if any killing is to be done, the lionesses usually do it while the males lie around flexing their manes. None of this exactly fits in with the customary myths, bnt who would go to see a film called *The Lion Queen*?

Across tha river is Morami reserve, where the animals are protected – and they know it. With nothing to fear, they simply ignore humans. The usual sight of a warthog is of its behind as it scuttles away, tail erect. Now for the first time we see a warthog's face. It is hard to say which end is less appealing.

We diligently search for more wildlife to tick off: wildebeest and tsessebe, hyena and jackal, bustard and bee-eater. Zebras, which look so vibrant in zoos with their op-art stripes, become almost invisible in long grass. Giraffes at a distance are indistinguishable from the trees on which they feed. Driving back at night, we glimpse in our headlights the extraordinary spring hare, which looks like a little rabblt bnt bounds along on its hind legs like a kangaroo.

Next day, another flight takes us to the Okavango Delta. Here, the river takes on the desert and loses. The Okavango flows down from Angola, only to evaporate or melt into tha Kalahari, creating a remarkable ecological world – 6,000 square miles of wetland whose paisley-pattern whorls and loops of waterway, seen from the air, are studded by termite mounds and palm trees. The Xaxaba camp is on one of the innumerable islets.

Sated hy now with animals, we would hardly get out of bed for anything less than a bandersnatch. But the delta offers a different sort of experience.

From powerboats we see crocodiles close to and lions far off, but what we mostly notice are the river, the palms and the papyrus, and some of the 400 species of hird. Next day we are poled slowly along in a dugout and come even closer to the water: reeds and lily pads, water-boatmen scudding across the surface and dragonflies perching nose-in on tall grass like Zeppelins mooring.

We also have to rescue Andrew, the camp manager, whose powerboat has malfunctioned and run aground at dusk. What if we had not seen him? Even if be had fixed the motor, bow would he have got home in the dark? "Wait for the stars to coma out – if you can see their reflections you know you're following the water," be says. And if be had bumped into a hippo? "That could be a problem."

Despite the rich range of game, Botswana is not yet a country most Europeans think of for safaris (half its visitors come from the US). As a result, you encounter few other humans: no lions surrounded by minibus-loads of whirring cameras.

The best time to see game is towards the end of the dry season, when they visit water holes. The wet season is usually October to April – the name of the Botswanan currency, *pula*, means rain.

Before flying home we spent a few days at the Elephant Hills hotel at Vlctoria Falls in Zimbabwe, which has magnificent views across the Zambezi river to Zambia and hippos on its golf course. But after a week in Botswana, seeing animals on anything but their own territory seems all wrong.

■ *John Westbrooke was a guest of Gametrackers (0171-630 0100) and Swissair (0171-434 7300). A five-night package, including flights within Botswana, meals, game viewing and accommodation at three Gametrackers lodges, begins at £720.*

Gorillas

Face to face

Tracking gorillas in Uganda's Bwindi Impenetrable forest is one of the memorable experiences that Africa has to offer. (Because of the current problems in Ruanda, Burundi and Zaire, Uganda is the only safe place to do it.)

Several companies will take you to see the gorillas and, of course, the chimpanzees in Kibale forest, but almost all involve staying in simple, sometimes primitive, lodges.

For those who dislike permanent lodges and prefer tents and who like guides who really know their stuff, African Explorations is offering a one-off chance to go gorilla tracking on a small tented safari in the company of Karl Amman, anthor of *Hunters and the Hunted* and an expert in primatology.

The trip lasts from Thursday February 8 1996 and arrives back in London on Wednesday February 21. Yon need to be tolerably fit for gorilla tracking for it can take anything np to four hours walking through lush tropical forest to find them.

Uganda is interesting in itself because it is only just opening up to tourists after the years of civil war and as yet still has a sweetness and lack of sopbistication about it – its people are thrilled to see yon ("How are you, Mzungu? [white person]" they cry whenever they catch a sight of you).

So go before the avocado bathroom suites arrive and its hotels become unrecognisable from any others in the world.

The trip takes in the other great Ugandan national parks as well (Queen Elizabeth and Murchison Falls).

■ *For the gorilla tracking trip, contact African Explorations, Holwell Manor Barn, Holwell, Burford, Oxfordshire, OX18 4JS. Tel: 01993-822443.*

Lucia van der Post

Hippos cooling in the water: one of the attractions for people who want to be travellers, not tourists

Glyn Genin

South Africa

Bring on the eco-tourists

The republic is planning to capitalise on the decline in 'slump by the pool' holidays, reports **Keith Wheatley**

Officials of the Adventure Travel Society (a trade group, not Dr Livingstone's club) know two things. First, that eco-tourism is the fastest-growing sector in the travel industry, and, second, that South Africa has almost unlimited potential in this field. That is why the society's world congress in Hobart last year voted to hold its 1996 congress in Cape Town.

In the past, when helicopters flew over the Kruger National Park, South Africa's best-known game reserve, the elephants stampeded with fear. Memory reminded them that the annual cull of up to 500 beasts was managed with airborne shooters.

Last year, an event took place that symbolises the country's economic future. Many of the elephants were shot with tranquilliser darts and moved by vehicles built to carry whole families to locations that will be able to support them.

This was not the result of a sentimental vision of the World Wide Fund for Nature, but a commercially-funded operation to establish the Jumbo-land game reserve, with the Rand Merchant Bank as a big investor.

The bank's partner in the project is Trevor Jordan, a developer who makes a living from eco-tourism. He spent more than R1.2m (£209,000) to stock Welgevooden, his private game reserve in the Northern Transvaal, with 50 elephants. He believes it is money well spent.

"I don't believe that it is the priority of the new government to fund conservation, when there are so many urgent human issues like housing and education to address," says Jordan.

He believes the country's future must depend to a large extent on tourism. "We are the only place in the world where you can get in a vehicle and see lions, giraffes and elephants. That is what distinguishes us."

Half a century ago Jan Smuts, the father of modern South Africa, said that when he wanted to rest he turned his face to nature and the mountains for silence and solitude. "There is nothing like getting away into the wild. There is no equal to its rivers, its mountains, plains and deserts in all their wonderful and changing aspects," he wrote, adding prophetically: "In the years to come thousands will flock to this country to see things they can experience nowhere else."

Jordan touches on a controversial point when he suggests that the government has other priorities. It has long been a source of angry debate, especially during the apartheid years, whether animals were more important to Pretoria than black people. If the future role of the black population is to be no more than serving drinks at up-market safari lodges, the fine vision of expanding eco-tourism will come to nothing.

"Tourism must make a meaningful contribution to black communities around the country," says Walter Msimang, the newly appointed executive director of Satour, the government tourist body. "In this way we could find that we reduce perennial conflicts deriving from a perception that animals have priority over humans."

At present, says Msimang, a former anti-apartheid activist who spent many years in exile, the industry is dominated by a few big companies. "This needs to be broadened and opportunities opened up for smaller entrepreneurs." Tourism, he said, was not doing as well as it might at present, but there were tremendous opportunities for growth.

But tourists have been pouring in this year. Many more came for the recent Rugby World Cup than had been expected. Events of this calibre, including the future cricket world cup and possibly the 2004 Olympics, for which Cape Town has made a powerful bid, show that the republic is doing all it can to attract the kind of tourist who wants to "travel with a purpose".

> 'There's a growing recognition that there isn't going to be any kind of Marshall Plan for South Africa.'

South Africa has become fashionable as a "new" destination, but the country has longer term advantages as well.

It is widely believed that as the first world grows familiar with cheap mass travel, the number of holidaymakers who want to "slump in a chair by the pool" will decline. Whether it is to stalk lion or be part of the Olympic crowd at the 1500m race, consumers are demanding a level of participation and novelty not required before.

An increasing number of holidaymakers also feels some sense of guilt about pollution and the despoliation of natural beauties which results from mass travel. Such people tend to despise "tourists" and see themselves as "travellers".

South Africans are smart enough to see the appeal of a visit to an interesting country where the tourists' presence may improve the prosperity of the black majority.

Rob Angel, chief executive of Engen, a resource company which is moving into travel and tourism, says he hopes the benefits of tourism will be shared by all South Africans, including those involved in conservation.

"We need to ensure that South Africa doesn't simply become the next point on the globe to be exploited by the international tourism industry, leaving little or nothing behind if the fashion changes and the tourism boom moves on to another destination."

Those who organised the country's Olympic bid are therefore working hard for success. Some calculations suggest that the $2bn required to finance the games could add $20bn to national income during the following 10 years.

"There aren't many investments, state or private, that can come back with a 10-fold return," says Kevin Kevany, the bid's marketing director. He believes the two-week Games would encourage many people to come to South Africa who might stay for a while and consider the possibility of building factories in the country.

Since there is little chance that the new South Africa will be able to attract large loans from other countries on the scale needed to revive its economy, Kevany believes South Africans must put all their energies into schemes for self help such as the bid for the Olympics.

Even the most rigorous of self-help programmes needs an element of luck. After the peaceful end of apartheid, South Africa may be helped further by settlements of the long, bloody wars in Angola and Mozambique.

If truces hold and television sets cease to show images of bloodshed and horror, the image of Sub-Saharan Africa would be greatly improved internationally and tourism and leisure travel would be helped enormously.

Increased regional trade (at present tiny) could bring goods and services into South Africa that will keep service industry prices low by world standards. Meals, hotels and transport currently offer the kind of opportunity that Australia represented to the world in the mid-1980s. Eco-tourists may be more sensitive souls than the polyester-clad variety, but they also like a bargain.

Zimbabwe

Endangered species' last stand

Richard Evans visits a national park with a magical atmosphere

The white rhino and her calf ambled across the dirt track just ahead of us. Suddenly a big bull rhino pushed through the long grass, cantering at first, then charging at surprising speed, chasing them back across the track just 10 yards in front of our Land Rover.

It was an exhilarating start to our day in Zimbabwe's Matobo Hills national park near Bulawayo, declared an intensive protection zone for the endangered rhinoceros.

Here, far from the Zambian poachers who steal across the Zambesi, 50 white rhinos, their horns amputated, are making their last stand.

Although designated a national park, this is not big game country. There are no elephants, lions or buffalo, but the place has a magical atmosphere of its own, quite different from the more typical big game areas of Hwange and around Kariba.

The strange, brooding Matobo Hills are a mix of colossal bare whalebacks of rock and sets of boulders perched precariously one on top of the other like children's bricks about to tumble down. In the local Ndebele – formerly the Matebele – language, Matobo means bald-headed ones.

It is a holy place held in awe both by the Ndebele and the early white settlers. On an extraordinary barren summit known as World's View is the grave of Cecil John Rhodes, founder of Rhodesia. Weather-stained domes and pinnacles of granite stretch in every direction.

With 2m visitors a year, Zimbabwe is building a reputation as one of the most dependable and best-value tourist destinations in Africa. The country also retains an atmosphere of old world courtesy, cleanliness and efficiency.

The main tourist attraction remains Victoria Falls, where the mile-wide Zambesi river vanishes in a cloud of spray into a chasm. The 400ft-high falls are the focal point of a vast adventure playground of game reserves, safari areas and fishing camps, but the falls themselves remain surprisingly uncommercialised.

We crossed over the bridge to the Zambian side – anyone with a tendency to vertigo should be warned that the path skirts the very edge of the gorge with no barrier of any kind.

From the falls we flew to a tiny airstrip near Lake Kariba where the dirt runway which dissects well-worn animal tracks was cleared of elephant and zebra as we approached.

It is untamed country. Herds of elephant crashed their way through the bush, casually leaning on trees to bring them splintering down. Antelope watched nervously for predators. Crocodiles and hippos cooled off in the lake.

Yet, after a bone-shattering 15-minute drive we were installed in the cool comfort of Kateti, one of a number of luxurious safari lodges around Lake Kariba that are widening Zimbabwe's appeal at the top end of the tourism market. It is an enclosed cluster of thatched lodges surrounding a pool and open-sided lounges, bars and a restaurant. There could be no greater contrast to the world outside.

The wooded savanna and Matusadona Hills on the shores of Lake Kariba are among the least accessible areas of Zimbabwe. The herds of elephant, buffalo, antelope and predators are the descendants of animals displaced in the 1960s when the inland sea of Lake Kariba was formed by the damming of the Zambesi.

Although artificial in origin, Kariba has been reclaimed wonderfully by nature. The rising waters have left thousands of trees partly submerged and their petrified branches pierce the surface, providing a resting place for cormorants, kites and fish eagles.

Before breakfast, while the sun was still low in the sky, we went tracking, crocodile fashion, like a Sunday School nature ramble. We had just seen a lone bull elephant and our guide, Mike, seemed nervous.

"They can be dangerous. There is usually a reason they are outcasts," he said. The elephant had been eating marula fruit, which ferments in the stomach and can make them unpredictably tipsy and aggressive.

But, reassuringly, Mike patted the Winchester rifle slung across his shoulder. "Under no circumstances run away if we meet a predator or elephant," he said.

Easy for him, he was the only one with a rifle. All I had was a pair of binoculars and my daughter's camera.

We learned the difference between bull and cow elephant dung – useful when elephants were stalked for their tusks – and saw spoor of lion, kudu (a large antelope), jackal and porcupine.

A pile of bleached bones was all that was left of a Cape buffalo eaten by lions.

■ *Richard Evans was the guest of the Zimbabwe Council for Tourism and the Zimbabwe Tourist Development Corporation. He flew to Harare and Bulawayo with Air Zimbabwe.*

Skiing

A good season awaits – at least in theory

Arnie Wilson on this winter's latest trends: Italy and Canada are popular and the British are now smart

This summer's heatwaves meant many skiers could not wait to book their traditional winter break. But is it quite as traditional as it used to be?

The days when most British skiers packed up a hold-all containing drab jackets and even drabber salopettes and perhaps some antiquated ski boots of which they were often inordinately proud seem to be over. Once they headed off for the usual pension or chalet and then the usual ski rental shop in Alpbach, Niederau or Mayrhofen without even having to think.

But it is no longer true that you can spot a Brit on the slopes at 100 paces because of sloppy ski-wear. Today – with some exceptions – British skiers tend to be smartly clad, have designer boots, high-tech skis, and are searching not only Europe but North America for new skiing experiences.

The British snowboarder, perhaps not quite so smartly clad, will also be back in greater numbers than ever.

□ □ □

Another rapidly changing skiing institution is the old-fashioned chalet party in which, traditionally, a group of friends shared a rather antiquated, sometimes primitive chalet with one bathroom, limited hot water and a couple of lavatories.

Although the old chalet party was sometimes comparatively cheap and could be great fun, the trend now is for chalet ski holidays to be much more luxurious affairs, with spacious neo-rustic chalets, cordon bleu cooks, fat, plumped-up pillows in sparkling white linen, fresh flowers in your bedroom, the odd champagne breakfast, en suite bathrooms or showers and of course prices to match – about as far removed from the creaky old chalet image of the 1960s as you could imagine.

According to Hilary Jackson at Alpine Answers, a specialist ski travel agency in London, "appalling rates of exchange" and a shrinking market have forced tour operators to be more competitive.

"In order to compete, chalet operators have had to strengthen their niche positions and expand in areas in which the 'big boys' just cannot compete: the up-market chalet sector," says her company.

□ □ □

The Italians, for so long in the skiing doldrums, have experienced a renaissance.

Eugenio Magnani, deputy director of the Italian Tourist Office in London, was ecstatic about the numbers of British skiers who went to Italy last year. "It was a wonderful season," he says. "A very, very big surprise."

□ □ □

This winter most French and Swiss resorts will cost 10 per cent more, while the increase in the cost of a ski holiday to Italy could be as low as 3 per cent. The Swiss are confident that their traditional British clientele, many of whom make their own travel arrangements, will remain loyal.

The US is still popular, with Big Sky, Montana, being offered to British skiers for the first time. Big Sky now has the biggest vertical drop in the US (4,180ft), just 41ft higher than Jackson Hole, Wyoming. If you want to check whether Big Sky really does have the extra vertical, you can now book both resorts as a twin-centre holiday – and take your tape measure.

□ □ □

The US is beginning to look over its shoulder at its Canadian neighbours. The Canadians, like the Italians, have been benefiting from exchange rates, and are hoping to lure increasing numbers of British skiers to British Columbia and Alberta who might otherwise have tried the US resorts.

Italy and Canada are widely regarded by specialist ski travel agencies as offering some of the best value skiing around. Tina Crowther at the Skiers Travel Bureau in Leeds says: "It looks as though the bonanza in Canada will continue. Italy is very much in demand, but availability on peak season dates is becoming difficult. Because of this, we frequently have to persuade clients to go elsewhere."

And according to Lizzie Norton at Ski Solutions in London: "Not only is accommodation in Italy and Canada cheaper, but the extras, such as lift passes, also make a big difference."

Yet France might still emerge as the most popular place to ski this winter, in spite of the *franc fort*. Indeed, according to Crystal Holidays, France is already ahead.

Heinz Patzak, the new Austrian Tourist Office director in London, concedes that Italy has taken market share from both Austria and France. But he claims: "We still attract more British skiers than any other country. The concept of winter holidaymakers simply choosing the largest ski areas is out of date. The market changed with the collapse of the schools' ski programme.

"Now we see more families, where mum and dad have skied for years and they want to introduce their children to the sport.

"They are not so much concerned with the volume of skiing as with a comprehensive *holiday*. And that means a mix of the modern with the traditional."

□ □ □

The Austrians, who at first had something of a problem abandoning their rather staid attitude to changes in the industry, are now hunting for the snowboard generation.

They acknowledge that snowboarding is "the current boom business" and Austrian resorts are busy building more "half-pipes" (artificial gullies with specially designed curves, shaped a little like the bottom half of a huge pipe-line) and more designated snowboard areas in resorts such as Saalbach-Hinterglemm and Badgastein.

□ □ □

Whatever and wherever you go skiing this winter – Fat Boy skis in British Columbia, snowboards in Courchevel, or Telemark skis in Telluride, Colorado – the whisper is that it could well be a good winter. They have unusually good snow in New Zealand and some heavy falls in Chile, which usually means plentiful snow in the Northern Hemisphere too. There again, it's only a theory.

Self-righting craft which can be manoeuvred easily under oars

Rowing

In Chay Blyth's wake

Keith Wheatley on one man's mission to put adventure back into people's lives

In the summer of 1966, two British soldiers left Cape Cod, Massachusetts, to row across the Atlantic to Europe in a 20ft dory. It was a hellish 92 days of deprivation, discomfort and danger. On the final day, before they landed on an Irish beach, sergeant Chay Blyth wrote in his log: "It's all over. I'm not getting in that boat again for anyone."

Nearly 30 years on, would-be adventurers are falling over themselves to pay Blyth £9,000 for the chance to follow in his wake. His Challenge Business has 38 paid-up entries for a 2,900-mile transatlantic rowing race in autumn 1997 from Tenerife, in the Canary Islands, to Barbados, with another 100 on the waiting list.

The range of potential competitors is enormous: from elite athletes with hopes of rowing in next summer's Olympics, to a carpenter who has never been in a dinghy before. Two Cornish club rowers, David Jackson and Graham Burnett, who tested the prototype boat, were so smitten that they signed immediately for the race.

Each two-person crew will make the voyage in identical 24ft craft created by Phil Morrison and Peter "Spud" Rowsell, who normally design racing yachts. They are self-righting in the event of capsize and can be driven easily under oars.

At each end, assembled from a kit of laser-cut marine plywood, is a watertight cuddie. These will provide huddled sleeping accommodation, stowage for food and water, and cooking facilities.

In the event of a rogue wave swamping a boat – 50-footers are not unknown along the route the rowers will take – the compartments will keep the vessel afloat.

That every one of the contestants should have an equal chance of winning is central to Blyth's scheme. He put it into effect three years ago when he created the outstandingly successful British Steel round-the-world yacht race.

He explained: "We want the boats identical to ensure that the pair that wins do so because of their rowing technique and courage and not because they managed to spend or raise enough money to build a faster hull."

Blyth also advised contestants to take a long, hard look at their rowing companion before setting out. "The test we have set will push the human spirit to its limits. It is no good if only one of you has the tenacity to see it through to the finish."

Personality clashes seem inevitable. Three decades after their own Atlantic epic, there is no great affection between Blyth and his co-rower, John Ridgway. In the public relations blitz that followed, they fell out over money.

"I was a sergeant whose dad was a railwayman," recalled Blyth. "John's family owned the Marples Ridgway construction company, so our knowledge of the business world was a long way apart."

Blyth has come a long way since then in understanding Corporate Man. His bookshelves are filled now with manuals from the London Business School, and he has a reputation for being one of the best fund-raisers around.

But his request to quote from their joint book, *A Fighting Chance*, in the brochure for the 1997 race drew a dusty fax from Ridgway, at sea on a yacht in the south Atlantic. "In the present climate of uncertainty with Outdoor Activities generally, I require a printed disclaimer of any association with me or my company," he cabled.

Blyth, an inveterate risk-taker who was enjoying gun battles with Yemeni rebels while still a teenage paratrooper, cannot see what the fuss is about. And he is irritated that it will be necessary to have a "mother ship" following the rowers as a safety measure in order to get sponsorship.

"Unfortunately, we live in an era obsessed with safety. It's the Umbrella Age," he scoffs. "People want to ensure that whatever happens doesn't happen to them."

When asked about the degree of danger the rowers face, Blyth becomes animated. He and Ridgway were blown into Ireland by an 80mph westerly storm and he maintains that, if they had reached the solid cliffs of the mainland rather than the negotiable lee of the Aran islands, their boat would have been wrecked.

"I guess a few of them are going to miss Barbados and land somewhere else," he mused. "We can't put a safety net under everything. You're either going to be a hero or you're not."

It is too easy to make this stocky, gutsy man sound like a drill sergeant who sorts humanity into sheep and goats too readily. In fact, his biggest thrill comes from putting "ordinary" people into situations where they can discover the extraordinary within them.

The rowers in 1997 can take heart from Blyth's thoughts in the summary of the voyage that changed his life 30 years ago. "Your concern is that your courage will fail," he wrote. "But, when your life depends upon it, it never does."

Rugby

A tuneful quartet

Huw Richards on the Pacific sun shining in England

The usual suspects may be contesting this weekend's semi-finals, but the success of the Halifax Rugby League World Cup has already been assured by four teams who did not make it.

The Pacific island quartet of Tonga, Fiji, Western Samoa and Papua New Guinea have done wonders for the entertainment value of the competition – and even more for its credibility.

Previous world cups have suffered for the lack of teams – generally resembling nothing so much as the continuation of traditional Anglo-Australian antagonism by other means, leavened only by bit-part appearances from New Zealand, France and, more recently, Papua New Guinea (PNG).

No longer. In its centenary year, beset by the traumas of schism in Australia and the clumsy handling of reorganisation in Britain, the taxpaying code has at last shown itself capable of producing a world cup worthy of the name.

The organisers who took the calculated risk of doubling the size of the competition have been splendidly vindicated, with only South Africa looking out of their depth.

Not that the success of the newcomers should be that surprising. Ever since the Fijians first made an impact on Rugby Union in the mid-1960s, fans have been regretting that the success of the island nations has been restricted by limitations at union's vital technical ball-winning set-pieces, ruck, maul, scrum and line-out.

Looking at their dazzling handling and running, love of the open, flowing game and ferocious tackling, they have wondered how they might do in a game where ability to run, handle and tackle was paramount. Such a game has existed all along – Rugby League.

A natural predisposition to league's basic skills has been reinforced by know-how acquired by contact with New Zealand's small but resilient rugby league community, centred on Auckland, the "capital of the South Pacific" which, with its 1m-plus population, includes large Tongan and Samoan communities. Twenty of the 25-strong Western Samoa squad were also qualified to New Zealand. So were nine of the Tongans.

How well they have learned became clear on the competition's opening weekend. Memories of 8,000 Lancastrians chanting "Tonga, Tonga" at Warrington, and of crowded terraces at Keighley adopting awesome Fijian second row Iliesa Toga as a folk-hero for devastating kick-off returns that left a succession of hopelessly brave South African tacklers stunned in his wake, will last as long as anything about this competition.

The Tongans came desperately close to beating New Zealand in as gripping a contest as you are likely to see in any code of football, succumbing only to tiredness and the extra know-how of their desperate opponents.

> Adrian Lam, of Papua New Guinea, was possibly the most creative player

Fiji, union roots showing in their determination to keep the ball alive at all costs, devastated South Africa with wonderfully fluent rugby. Too bad they then had to play England and Australia, probably the strongest teams in the competition.

Adrian Lam, Papua New Guinea skipper, was possibly the most creative player in a competition boasting such talents as Australia's Brad Fittler, New Zealand's Henry Paul and Wales' Jonathan Davies.

If the Samoans could have added a little more imagination to their awesome physicality, they, rather than Wales, might have been playing England in Manchester today.

PNG is already firm league territory. The other three could be. League needs them more than union does, and has shown by its world cup invitations that it wants them. Contrast this with the attitude of union, which dropped the Pacific champions (invariably Fiji, Tonga or Western Samoa), formerly admitted to the Super Ten championship from its planned 12-team competition, bringing together top provinces from Australia, New Zealand and South Africa.

There was not enough population or wealth in the island communities to interest the TV people, and bringing in their unions might have slowed secret negotiations. This may not quite be classed as selling your granny for a fiver – the sums of money are larger and nobody ever mistook a Samoan prop for an old lady – but the Fat Cat 12 is as close and grasping an approximation as even modern sport can furnish.

The world cup organisers wanted the islanders to do well, but not too well. The spectre of New Zealand v Western Samoa at Wembley next Saturday, potentially both a wonderful game and a box office nightmare, must have haunted them. The final they want is the one they will probably get – England v Australia.

Probably but not certainly. The competition's rich good fortune continues with two charged semi-finals, guaranteeing a north v south final. England are happy to play Wales at half-built Old Trafford rather than the Celtic cauldron at Swansea, fired by semi-nostalgic joy at the sight of any sort of Welsh rugby team playing with craft and conviction.

Australia overpowered New Zealand three times this summer. They should make it four tomorrow at Huddersfield. But the Kiwis have a chance. At their best they are the subtlest, most exciting team in the cup, emphasising deception over power and contriving angles others cannot reach. But they have sparked only intermittently. If Paul is at his best, they might just turn those flashes into the sustained brilliance they will need.

Golf

A thinker's course

Derek Lawrenson on how to fall in love with St Andrews again

Given that one would have to be 100 years old to remember the last time a full-sized golf course was built at St Andrews, the tangible air of excitement that has greeted the opening of the Duke's course is understandable.

Designed by five-times Open champion Peter Thomson, it brings to 117 the number of holes that can now be played by visitors to this East Fife outpost. No wonder it is universally known as the home of golf.

Thomson was brave to take on the brief. The lure of making a contribution to the sport in the town that golfing folk most revere had to be weighed against the criticism that would inevitably follow if the course was not up to scratch. Make a mess of a course in St Andrews and Thomson the architect would probably struggle for design work again.

Furthermore, the sport has changed massively in recent years and the changes that have occurred at St Andrews have not met with universal approval. The appearance of the Old Course hotel, built on the dog-leg of the fabled 17th hole, is widely derided, as is the new clubhouse, which was opened to coincide with the Open in July. The Japanese company that owns both, Kosaido, also put up the finance for the Duke's course.

What should be stressed is the Duke's offers no comparison with the established St Andrews courses, all of which are links venues. It is situated two miles away and therefore its characteristics are those of an inland course. One may as well compare Mozart to Beethoven. It is, however, a splendid piece of land and the views on some holes are spectacular. Stand on the fourth tee and the whole of the town is visible.

Playing the Duke's course may cause the visitor to fall in love with St Andrews all over again.

It was not supposed to open until next spring but favourable weather conditions have meant that it will be open for limited play this winter. Neither is there a subtext here, namely that the owners are keen to open ahead of schedule to get the money rolling in. I played it last Wednesday, while the pro-am for the Alfred Dunhill Cup was proceeding in the distance on the Old Course. The Duke's is ready for play.

> The starting hole is a brute – a stark contrast with the Old Course opening hole

As one would expect of a cerebral champion like Thomson, this is a thinking person's golf course. The starting hole is a brute, enough to make a high handicapper think of trudging back to the car park. The contrast with the easy opening hole on the Old Course could hardly be more stark.

Thankfully, a relatively straightforward couple of holes follow before the course opens out and the eye feasts on sumptuous scenery.

A word of warning: St Andrews in the winter can be a humbling golfing experience. The wind that whistles in from the bay is bracing at best and icy at worst and either way the ball does not travel very far. The 8th on the Duke's course is 177 yards and into the prevailing wind.

On a still day I would take a five iron. I thought of a four ... no perhaps a three ... heavens, I took a three wood in the end and was not sorry that I did.

The back nine possesses some lovely holes. The 10th is a fine par five and the 12th perhaps the pick of four good and varied short holes. The sea is visible through the trees for the approach to the 13th and I like the architect's deceptive little trick here: the green is hidden by bunkers and looks narrow and difficult to locate. But get the distance right and a pleasant surprise results – it is much longer and wider than it appears.

The finish is surprisingly generous. The 15th is an easy par five; the 16th a gentle par four; the 17th is a treacherous short hole but the 18th offers every opportunity to end on the high note of at least a regulation figure.

Drawbacks? Yes, there are a few. I am not fond of courses where one has to cross a road during play and you have to do this twice at the Duke's.

The principal grievance, though, is when Thomson has tried to plant firmly in the visitor's mind that he is playing a course at St Andrews.

Several of the fairways have been given bumps and hollows, as one would find on each of the links down the road. At the 9th, use has even been made of a small path which runs in front of the green, clearly with a nod in the direction of the Road hole on the Old Course. It is a terrible contrivance.

Green fees during the winter will be £20 for Old Course hotel guests and £25 for non-residents.

A life neither shaken nor stirred

This is a lazy biography of James Bond's complex creator, argues **J.D.F. Jones**

Ian Fleming died in 1964 at the early age of 56 and was almost immediately given a workmanlike biography by John Pearson. The problem which confronted Pearson was that Mrs Ann Fleming, who had formerly been Lady O'Neill and then Lady Rothermere, was still very much alive (as was the widow of Hugh Gaitskell; Ann had had a long affair with the Labour leader), so the biography had to ignore some of the more dramatic aspects of Fleming's life – such as the miserable state of the Fleming marriage, so frequently discussed by their fashionable friends.

Andrew Lycett is not under these constraints. He can write freely about Fleming's long-term Jamaican mistress, Blanche Blackwell, he can detail Fleming's 15-year cuckolding of his friend Esmond Rothermere, and he can throw in Fleming's inclination to sado-masochism – surely no surprise in the creator of James Bond. But, in a very long book, he does not have so much more of significance to add: which may be a reflection on the shallowness, the immaturity, and the sadness, of Ian Fleming's life.

Fleming's early problems had to do with a formidable widowed mother and an effortlessly-successful elder brother, Peter. Ian failed at Sandhurst and in the foreign office entrance, drifted through the 1930s as a handsome young man-about-town in Reuters and then the City, and came into his own in the war as the personal assistant to Admiral Godfrey, head of Naval Intelligence. He was never an agent in the field, though he was once taught how to kill a man by biting him in the back of the neck.

In 1945 he returned to journalism as the foreign manager of the Sunday Times where, aloof, supercilious, politically naive and privileged with long vacations, he stayed for nearly 15 years, long after his thrillers had taken off. His health was beginning to crack before he was 40, thanks to his merciless diet of cigarettes and booze. In the last years, after a heart attack, he was a sad figure, alienated from his wife, exasperated by her social circle of (in one of Lycett's better phrases) "loquacious highbrows", unable to relate to his only son, who would later kill himself, and struggling to find the energy to fuel the James Bond caravan.

There are two conspicuous failings in this book. The first is that it is far too long – Lycett seems compelled to include everything that he has ever discovered about Fleming, which is not at all what we ask of a biography: to take an example at random, "... 'Nin' Ryan, later a good friend of both Ian and Ann, was the astute daughter of the German-born New York financier Otto Kahn, who had backed the acting career of Diana Cooper. Another, Peggy Munster, was a talented interior decorator who, as the first partner of Sibyl Colefax, had launched fellow designer John Fowler. Fifty miles away towards Villach, her husband, Count Paul Munster, a golfing friend of Ian's at White's ...", and so on and so forth. The detail is particularly tedious when we get to the interminable legal rows about film rights.

IAN FLEMING
by Andrew Lycett
Weidenfeld & Nicolson £20, 486 pages

Second, and more serious, Lycett has little of interest to say about the books, nor even about the phenomenon of "James Bond". It is suggested that "Bond was a projection of the heroic image of (Fleming's) father ..."; that he started writing at the time of his marriage to Ann in order "to create some literary manifestation of their sado-masochistic relationship ..."; and that the books were one way of combatting his fear of indolence.

This really won't do. Fleming was responsible for the most extraordinarily successful popular novels (and films) of a generation. *Why* did these comic strips have such an impact? Fleming vaguely understood that Bond had a mythic role as a sort of St George, saving the girl (and the west) from the dragon, but the criticism is inescapable that his villains are the crudest caricatures, unbelievable figures deliberately devoid of character or humanity (which is not the case with true myth). His heroes are not much better.

Nor does Lycett engage with the persuasive indictment that Fleming was deliberately peddling "sex, snobbery and sadism". John le Carré has argued that the Bond books are "cultural pornography" in their ennobling of a Superman who is endorsed to commit any crime in the name of a "fake patriotism". Other critics have been worried about a more literal pornography: this is the author who famously made a female character say, "All women love semi-rape. They love to be taken. It was his sweet brutality against my bruised body that had made his act of love so piercingly wonderful ..."

Fleming's life story seems to confirm that he remained a perpetual adolescent: one intelligent woman friend later said that "his emotional age was pre-puberty". (Was Bond any older?) Can it surprise that, after all the exciting years of illicit liaison, he and Ann discovered soon after marriage that they could not bear to live together? So Ann continued on her giddy social round and Ian retreated to his undemanding circle of clubmen and golfers, relieved only by the annual trip to his beloved Jamaica and the books which he found increasingly hard to complete.

Children's books/**Carolyn Hart**

Drawn to wicked offspring and chaotic families

The terrifying scenario portrayed in Philippe Dupasquier's new picture book, *No More Television* (Andersen £8.99) – children without benefit of the cathode ray tube – is a subtle, funny and beautifully illustrated story (Dupasquier's drawings show a chaotic household of exasperated parents, idle children slumped on sofas, sagging wallpaper, crumbs and floors scattered with toys) of a father who has a Damascus-like vision of productive family life and, accordingly, gets rid of the television.

Sooo the children are having a horrible time playing monopoly, practising the piano and cooking supper. But when the television is finally restored to them, they naturally discover that they much preferred life without it.

By contrast, the eponymous hero of *Bumpa Rumpus and the Rainy Day* by Joanne Reay and Adriano Gon (Heinemann £8.99) has no need of the television at all. He is a child who finds plenty of entertainment in natural phenomena, especially the stormy, wet kind.

Bumpa Rumpus is perfect for reading out loud, a book that makes use of language to create an impression of noise, movement and music as the rain pours down.

There is more wet weather to be had in Amy Hest's *In The Rain with Baby Duck* (Walker Books £8.99), a moving, deftly written story about a little duck who hates the rain, but learns to love splashing in puddles with her grandad. Baby Duck is illustrated with seductive charm by Jill Barton.

Apart from a drenching of rain stories, this autumn also sees the welcome return of the wicked child and, although she – it usually is a she nowadays – always gets her comeuppance in the end, this is a refreshingly anti-social development compared with the virtuous, politically correct characters who have oiled their way into the nursery in recent years.

In *This is the Bear and the Bad Little Girl* (Walker £7.99), a witty rhyming story by Sarah Hayes and Helen Craig, a polite, curly-haired little girl turns into a bear-stealing villainess who lifts a small boy's teddy and makes off "down the street holding the bear by one of his feet". Apprehended by a helpful dog, this monstrous child decides decides that she didn't want the bear anyway – "he was only a baggy old sack" – and rightful ownership is restored.

For a true taste of villainy, however, you must turn to ghastly Bootsie Barker, a girl who terrorises her smaller friend by pretending to be a child-eating dinosaur. Eventually her victim effects a satisfying revenge by organising a

Spotlight on children's novels: from 'Blood and Bones', reviewed below

game called Palaeontologist which sends Bootsie howling into the street. *Bootside Barker Bites* by Barbara Bottner (Mammoth £3.99) is a wry story taking an oblique look at grown-ups who are oblivious of their children's private terrors.

In *A Pig's Book of Manners* by Nicholas Allan (Hutchinson £7.99), a rude boy called Johnny slurps and burps his way through life and then wonders why he has no party invitations. "You're a pig" says his sister. "That's what you are".

But when a real pig moves next door and is so charming and considerate that he spends all his time going to parties, Johnny puts two and two together and resolves to be less of a yob, finding that "he feels better already."

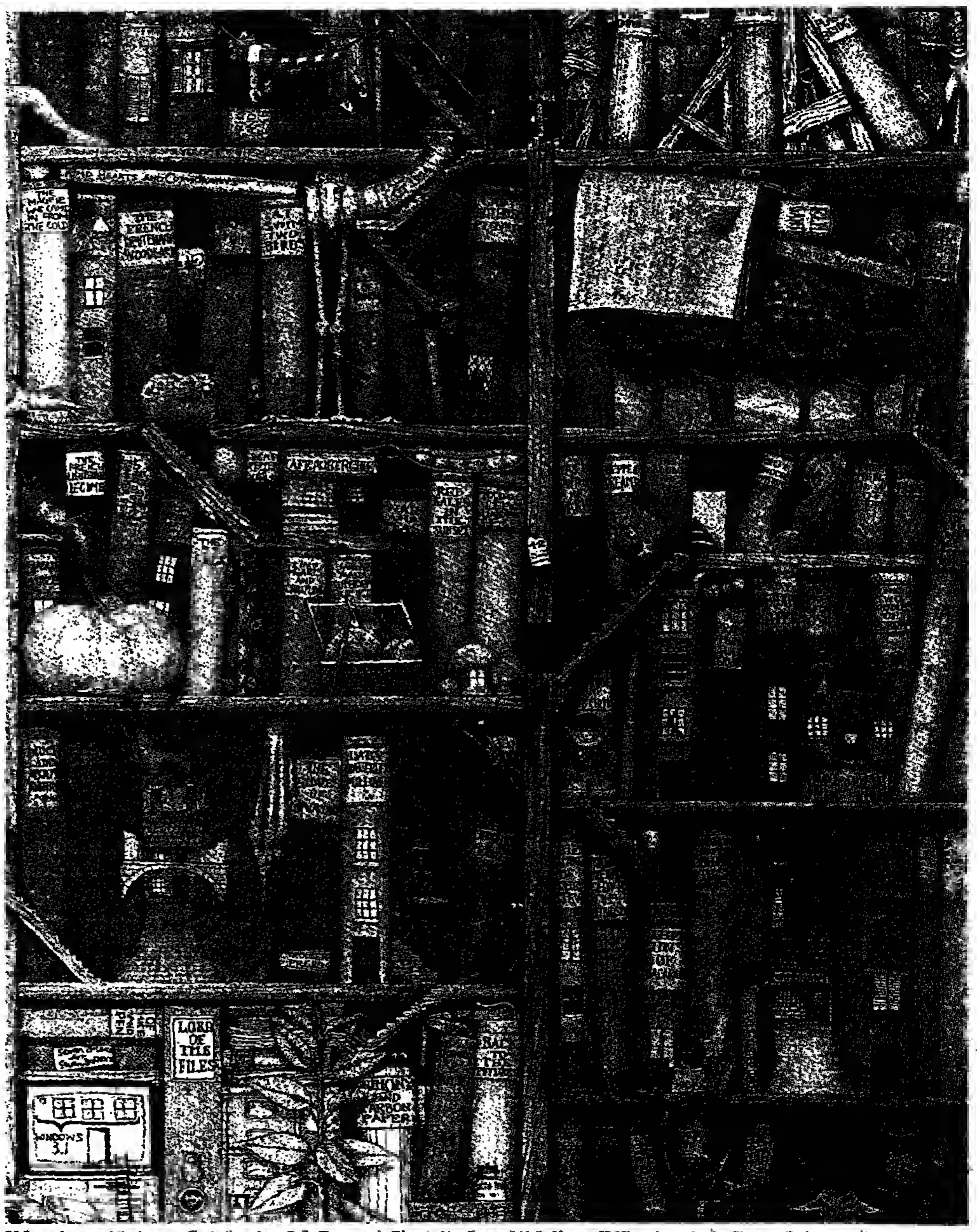
The clear message of this book – that you do not have to be a lout to have fun – combined with Allan's comical illustrations make *A Pig's Book* an entertainingly thoughtful read. Virtue is also rewarded in *Piper* (Cape £8.99) by Emma Chichester Clark, a tear-jerking story about a lonely dog who, after many tribulations, finds a happy home with a kind old lady.

Colin McNaughton's *Boo* (Andersen Press £8.99) is an exuberant, noisy story about Preston, the Masked Avenger, who creeps through the streets at night jumping out at his unsuspecting victims. Huge fun for three-to-five year olds who can shout "Boo" at the opportune moment, and McNaughton's illustrations are a lesson in how to absorb a child – they glow with colour and are full of the kind of extraneous detail that small children love.

Harriet Ziefert employs the same tactics in *Scare The Moon* (Walker £6.99) in which a little witch and a little wizard try to frighten the moon by having a booing competition. My son loved this book as much for its illustrations (curiously unearthly drawings of a beaming unperturbed moon, a bulgy ghost and a cross-looking bat by G. Brian Karas) as for the opportunity to do a tremendous amount of shouting as we read.

A kind of *auto-da-fé* of children's books can be found in Colin Thompson's *How To Live Forever* (Julia MacRae £9.99) in which books become a living, breathing embodiment of a landscape. This is a story for older children, but adults will relish it as well for the quality and depths of Thompson's baroque, mystical illustrations.

How To Live Forever tells the story of a missing book, a child who holds the secret of everlasting life and a library that comes to life at night: "Doors and windows appear on the backs of books, lights come on ... full-grown trees spring up and chimneys begin to smoke ..."



Bibliomania: one of the baroque illustrations from Colin Thompson's "How to Live Forever" (Julia Macrae £9.99), a picture book with a mystical story set in a library

Spoofs, aliens and animals

Peter Tabern's *Blood and Bones* (Andersen £3.99), illustrated by the inimitable Korky Paul, is the book of the BBC series, *Pirates*. This is a funny, accessible story of suburban pirates, bloodthirsty grannies, green babies and mysterious hooded types whose voices sound like "bat claws scratching on a graveyard wall" – one of several successful books which cater for the transition from illustrated story books to the more complex demands of older children's fiction.

From the same stable, Philip Curtis' *The Silence of the Space Mafia* (Andersen £8.99), sequel to *Hostages of the Space Mafia*, is a combination of sci-fi and funny school story. This time the Space Mafia are planning a revenge attack on Marsh Farm School. Curtis' ability to combine mundane detail with the outlandish antics of the aliens make this an excellent read for pre-teens.

Dick King Smith's *Sophie* series reaches its final instalment this autumn when the animal-mad Sophie turns eight and inherits a farm and a pony in Scotland. Aptly entitled *Sophie's Lucky* (Walker £6.99), the good fortune meted out to this stolid heroine was almost more than my own London-based eight-year-old could stand.

Mo Kermode's *Codename Sebastian* (Gollancz £10.99) explores the world of second families, step-parents and single mums. Holly and Joe's mum has joined a dating agency and, faced with the ghastly prospect of a stepfather, they decide to spy on her dates and grade each man as a potential father. If you thought Anne Fine had said everything there was to say about "stepping" in *Goggle Eyes*, you will be pleasantly surprised by Kermode's cheerful, well-written, perceptive story.

Best title of the autumn must go to *Jesus, The Teenage Years* by John Farman (Bodley Head £9.99), in which an adolescent Jesus confides his innermost thoughts in diary form. Farman is the author of the bestselling *Very Bloody History of Britain*, and although his second book owes more than a little to Molesworth, this is a genuinely funny book full of good jokes and irreverent attempts to make sense of the Testaments (try Jesus' first attempt at walking on water or his first taste of the wine trade).

Bible spoofs aside, there are few things trickier than catering for teenage literary tastes, but in *The Dead Are Listening* (Spindelwood £9.95) Francis McCrickard has pulled off a stunner of a book. This is a fast-paced story, at once sophisticated and exciting, telling the story of three teenagers – a girl and two boys – who come across an old man on the moors who has been beaten up and left for dead. Their discovery is the catalyst for a series of dangerous events which take place against a background of smouldering racial tension and the forthcoming trial of alleged war criminals. The subtle juxtaposition of the teenagers' life in the 1990s and the old man's agonising memories of the 1940s combined with a thrilling story make this one of the most intelligent teenage stories to be published for some time.

Entertaining education

Stephen Beisty's marvellous non-fiction cross-section series has spawned a whole family of similar books exploring in detail the inner workings of machines, houses, even cities. Once of the best is *Everyday Machines* (Hamlyn £12.99) whose author, John Kelly, like Gulliver in a Brobdingnagian version of a Comet warehouse, ventures inside the complicated innards of such miracles of modern technology as the computer, video recorder and microwave oven. Cooly rummaging through the mysteries of heat energy, decoders, gears and molecules, Kelly presents an eotertaining, illustrated guide to why, and how, things work. Ideal for clever children.

Less taxing for adult brains, however, is Peter Kent's sophisticated, thoroughly fascinating *Slice Through a City* (Macdonald £9.99) which shows how cities have developed from early Saxon settlements to the teeming streets we know today. As each new age is grafted onto the ruins of the last, Kent's cross-section drawings show a teetering pile of houses, streets, sewers and graves built one on top of the other. Leo Harris has used the same technique in *This Old House, A Day in Five Storeys* (DK £9.99) in which a single building is given the cross section treatment to show 24 hours in the life of a dilapidated apartment block. Mad scientists conduct experiments in the attic, ravers dance the night away in the basement while a grand dame who has seen better days reclines on a chaise longue upstairs. Excellent detailed drawings combined with a good eye for the seedier side of city life, make this the sort of book guaranteed to keep 7-10 year-olds happy for hours.

Those blenching at the thought of taking bored children to a public art gallery for a traditional half-term treat should invest in Dorling Kindersley's *Spot a Dog, Spot a Cat* series by Lucy Micklethwait. For less than £5 you get a collection of 13 paintings ranging from Renoir to Hockney all of which feature either a cat or a dog. Spotting the animal in question is an enjoyable, pain-free way of introducing a three- or four-year-old to culture.

Fiction/Antony Thorncroft

From delicious mundanity to wry melancholia

The most sympathetic character in *The Lampitt Papers*, A.N. Wilson's sequence of novels about an upper-middle-class family in post-war England, is the Reverend Roy Ramsay, the uncle of the unhappy narrator Julian Ramsay. The Rev Roy's overwhelming obsession with the lordly Lampitts, with the minutiae of their lives, and their far from obvious brilliance, drives his own relations into paroxysms of tedium.

Followers of *The Lampitt Papers*, now into their fourth volume with the arrival of *Hearing Voices*, must share the Reverend's addiction to the mundane. Quite why Wilsoo, perhaps the most facilely blessed novelist of the age, should carry on churning out books about such a collection of stunted, unexciting, characters, is a mystery.

And yet, just as Julian Ramsay finds his own life meshing inextricably with the Lampitt clan, so the reader turns the page half eager for a reference to Ernie, Lord Lampitt, the determinedly demotic left wing head of the family, or Sargie, the academic, whose career nose-dived after an unfortunate incident in an Oxford cinema.

But the going gets harder. In the earlier volumes there was a certain style to the saga. We shared Wilson's interest in the dead literary tradition personified by James Petworth Lampitt, an Edwardian belletrist who met a mysterious death in Marylebone. The intrigues over his papers in the bookish London of the 1950s and '60s combined period charm and some contemporary relevance.

Now Wilson seems more wrapped up in his own obsessions. A substantial chunk of *Hearing Voices* is taken up with arguments about the contraceptive pill around a Catholic Sunday lunch table in 1966. Increasingly the chronicler Julian Ramsay, a small-time radio actor and occasional lunatic, seems to become the mouthpiece for Wilson's own struggles with faith and religion.

HEARING VOICES
by A.N. Wilson
Sinclair-Stevenson £14.99, 214 pages

Hearing Voices is Wilson in a lower gear. The sad narrator finds himself adrift on acid in New York in the 1960s, and through his constantly cross mistress becomes enmeshed with a less grand family than the Lampitts, the Nolans. The fact that Fergus Nolan, a pioneer of the contraceptive pill, believes that God will grant his wife a much desired pregnancy if he can persuade the Pope to ban the pill for Catholics, gives Ramsay, and Wilson, plenty of opportunities for moral anguish.

Sadly some of the most appealing characters in past volumes make only fleeting appearances. There are some wonderfully subtle passages of humour and of sadness, but it is unlikely that *Hearing Voices* will attract many new travellers to join this introspective vehicle.

BOOKS

Homosexuals come in from the cold

Nicholas de Jongh on an eloquent argument for the right of gays to join the armed forces and to marry

We have come a long way. Forty years ago in Britain, homosexuality was being diagnosed as one of the great social evils of the age by sections of the political, judicial and clerical establishment. The subject was for Lord Hailsham "as much a moral and social issue as heroin addiction", with homosexuals "a secret society of addicts" lavishly corrupting themselves and the young men and boys of England.

A committee of doctors and magistrates took a more modestly liberal line. Sex offenders – for that is how they described practising homosexuals – should be given medical treatment to deal with their "undesirable and dangerous" condition.

Forty years on the whirligig of time has bought in its desirable changes. Homosexuals are no longer perceived as they used to be. And it is because of such sharp political changes and transformed convictions that Andrew Sullivan, the young English editor of the right wing American magazine *The New Republic*, can secure publication for this eloquent, meticulously argued book, which proposes that gay men and lesbians should be allowed to serve in the armed services and to contract same sex marriages as well.

Sullivan's title – which, incidentally, serves as a reproof to the vicious inhumanity pedalled by Hailsham and his sort in the 1950s – gives a clue to his assimilationist credo. In his closing chapter, "A Politics of Homosexuality" Sullivan proposes that all "public as opposed to private discrimination against homosexuals be terminated." The rules of political correctness, which he understandably diagnoses as the irritating bane of contemporary American life, would lose their salience.

His model homosexual, the one who appears in his fantasising mind's eye would, I deduce, be for example, a 35-year-old lieutenant colonel who served in the Falklands or Bosnia and lived faithfully with the same man for eight years. He is self-confident, assertive and unashamed to be gay – though not in the still-surviving 1960s argot, "proud."

This new genre of homosexual – gay seems too frivolous a word for him – does not, Sullivan argues, ask for protection from hostility or freedom from discrimination and expressions of contempt. Nor does he want to live in isolation from the traditional family. He would say, Luther-like, here I, and my kind stand, "protect us from nothing, but treat us as you would any heterosexual".

VIRTUALLY NORMAL: AN ARGUMENT ABOUT HOMOSEXUALITY
by Andrew Sullivan
Picador £14.99, 210 pages

Liberals and conservatives alike, Sullivan naively imagines, could happily proceed from this new gay beginning. I wonder. Leftists, radical academics in their ivory towers in university gay studies departments, activists and gay rights campaigners would look on in anger and outrage.

They would see Sullivan's plan as an attempt to draw homosexuality's sting, its newly perceived sense of creative apartness (though not of course in the maligned 1950s sense), its distinguishing behaviours and jubilant freedoms from the conventional norms of family faithfulness, procreation and all that.

So be it, as far as Sullivan is concerned. He wants assimilation rather than to turn the separation of gay and lesbian people from the heterosexual majority into a full divorce. And in his chapters on what he calls the prohibitionist liberationist conservative and liberal standpoints on homosexuality, he takes a little of each to achieve his own conservative gay cocktail. But only when trying to make the Catholic church seem freshly humane in its attitude to homosexuals do the links in his analysis begin to chafe and strain.

Although this is a most articulate, imaginative and convincing attempt to bring in homosexuals from the cold, his conservatism does come with a pair of blinkers.

Sullivan believes it futile and inappropriate to try to modify the expression of extreme attitudes to homosexuality since he is convinced that visceral attitudes are inevitably resistant to reasoning or liberal legalism.

But public opinion, belief and behaviour is pliable and susceptible to change. The attitudes to homosexuals and homosexuality have been transformed since the 1950s and not simply because of liberal legislation.

The lifting of the taboos surrounding homosexuality has ensured that the demonising of those of us who are gay or lesbian no longer succeeds. And Sullivan, in neglecting the still malign influence of the churches, fails to realise the need to inform and educate the young about the virtual normality of homosexuality.

His programme suits the affluent urban middle-class gay man and not the poor, rural or small-town homosexual or lesbian.

A rummage under the floorboards of government

Andrew Adonis joins an enthusiastic search for the realities of the unwritten British constitution

Peter Hennessy is the father confessor of modern British government. Even the Queen confides in him, although circumspection allows him to disclose only that Her Majesty finds the British constitution "puzzling".

The Hidden Wiring is a rummage under the floorboards of British government, seeking to reveal the underlying realities of the country's unwritten constitution. It is a delight to read, and the ceaseless name-dropping is what makes it so. For as monarchs, ministers, courtiers and permanent secretaries trot out their trite and often contradictory views, the truth of Philip Zieger's observation that "we just *are* a sort of back-of-the-envelope race" becomes ever stronger.

Hennessy's description of himself as a fusion of Billy Graham and David Bellamy is apposite. His every discovery – from the cabinet secretary's private notebook to conversations with virtually everyone connected with Number 10 Downing Street in recent times – is relayed with Bellamyesque enthusiasm.

We are repeatedly invited to "savour" some banal remark for its underlying significance. Lord Bancroft, a former head of the home civil service, tells Hennessy that the job of Whitehall is to provide "a degree of balance and permanence" to government. "Savour those two words 'balance' and 'permanence'", interjects the professor, who then puts the words in perfect context – "[they reveal] the notion of the Civil Service as a kind of gyroscope of state".

Billy Graham appears in the fervour with which the status quo is defended. Not that Hennessy is against all change. He has a few suggestions to make, such as a new strategic policy committee of the cabinet, which would doubtless ensure that grand initiatives like "back to basics" issue forth from Downing Street with still greater frequency.

But there is nothing to upset the traditionalists unduly. Hennessy is even worried that the Queen's private diaries – apparently she writes some 600 words a day – might be published too soon. "Sponges", he exclaims as if holding up one of Bellamy's exhibits, "especially royal ones, are one of the few commodities in respect of which high state secrecy is both necessary and desirable."

Walter Bagehot is the lurking spectre, and the Victorian journalist-cum-academic would have been impressed by Hennessy's grasp of the realities of the contemporary constitution. Unsurprisingly, his vocation is similar: a distinguished journalist who is now a professor of history, able to reflect at leisure on the world of Whitehall and Westminster which he understands better than most of its inhabitants.

THE HIDDEN WIRING: UNEARTHING THE BRITISH CONSTITUTION
by Peter Hennessy
Victor Gollancz £17.99, 250 pages

The observation of politicians is especially acute. "Politics as a profession is immensely risky and tends to appeal to chancers who live on a diet of adrenalin and are engaged in a constant search for 'boredom avoidance'", he remarks. Spot on. The task of constitutionalists is to ensure that the rules of the game do not allow the boredom avoidance of politicians to become a nuisance to the public.

Alas, in Britain the rules are no longer up to the job. Perhaps they used to be, when "good chaps" like Lord Home and Harold Macmillan were brought up to respect unwritten conventions and knew when the country had "had enough". Nowadays there is less respect for convention and public sensibilities – witness the poll tax – and there are far more chancers in politics determined to ascend the ministerial ladder.

Not that the "career politician" is a creation of recent history. Hennessy anoints Sir Robert Peel (Tory prime minister in the 1840s) as the first "modern" prime minister, on the grounds that he was a workaholic, determined to exercise personal supervision over the executive machine. Yet this was equally true of previous chief ministers – from Morton in the 15th century through Wolsey, Cromwell, Cecil, Walpole, right up to William Pitt in the generation before Peel.

The point is important for two reasons. First, the strength of the centre in British government cannot be appreciated apart from England's remarkable history as a unitary state with (for most of the time) a powerful national government. This makes constitutional reform especially difficult if it involves devolution of power. Even those on the left ostensibly in favour are usually centralisers by instinct.

Secondly, it is misleading to portray "modern" government as inherently overloaded, imposing an unbearable strain on ministers compared with tranquil times past. The strenuous and the tranquil alternate within generations. John Major is not remotely workaholic by the standards of Wolsey or Walpole – or Thatcher. It is all to do with character and circumstance, for which no constitution can legislate.

Two young gypsy girls at Epsom Fair, June 1994, photographed by film animator David Trainer, who also specialises in documentary portraits of travellers and football supporters: from "Photographers' London 1839-1994" by Mike Seaborne (Museum of London £35, 304 pages) which includes images by Bill Brandt, Henri Cartier-Bresson, Bert Hardy and Don McCullin

A question of colour

Clive Cookson discusses the scientific arguments about race

For 50 years, mainstream science has denied that there is any biological basis for racism. We are all familiar with the tenets of the post-Nazi liberal consensus: the whole concept of race is scientifically bogus; racial differences are just skin deep; no ethnic group is inherently more intelligent than another; poor performance by a group is the result of social and educational factors rather than genetics; what really matters is the variability of individuals within each group, not of groups as a whole.

Marek Kohn, a young science writer with impeccably liberal credentials, wrote *The Race Gallery* as a wake-up call to the scientists who share his beliefs. End your long act of "denial", he pleads. Mobilise scientific arguments against the contemporary practitioners of "race science" who have been moving in from the intellectual fringe since the end of the cold war. Explore human diversity in a positive spirit of tolerance and generosity, rather than the selfishness of racism.

The book provides a fascinating history of "race science" from Johann Blumenbach, the 18th-century German taxonomist who coined the racial term Caucasian, through the Rassensaal, the antiquated race gallery at Vienna's Natural History Museum from which Kohn took his title, to the IQ-based arguments of Richard Herrnstein and Charles Murray published in *The Bell Curve* last year.

But Kohn fails in his central aim: to show that race science is a serious and growing threat today. One understandable problem is that he is so antipathetic to the race scientists, and so keen to refute their arguments, that they come across as an ill-assorted bunch of mavericks and loonies, whose research and theories quickly fall apart on inspection. If Kohn is reflecting accurately the state of contemporary race science, the liberal consensus has little to worry about.

Another point, which Kohn does not face up to, is that scientific arguments have never played more than a peripheral role in propagating racism in politics and society. The prejudice which many people feel against ethnic groups other than their own is based on economic, social and psychological factors – and, some would argue, is an intrinsic part of human nature. Science has little to do with the *feelings* that prompt some whites to deny blacks fair opportunities in housing or employment.

Although the most notoriously racist regimes of the 20th century attracted support from a small coterie of sycophantic scientists, Kohn presents no evidence that the policies implemented by the Nazis or the South African National party were significantly influenced by scientific advice.

Yet another problem with *The Race Gallery* is that the scientific debate is about to be transformed by molecular genetics, a key point that Kohn recognises but underplays. Almost all the race science described in his book is based on physical anthropology, social biology, psychology and traditional genetics.

THE RACE GALLERY: THE RETURN OF RACIAL SCIENCE
by Marek Kohn
Jonathan Cape £17.99, 210 pages

Over the next 20 years, however, most of the activity will centre on discovering genes (the precise stretches of DNA that code for particular human characteristics) and establishing their distribution between different ethnic groups.

The international endeavour to identify and decode all of our 100,000 or so genes goes under the umbrella title of the Human Genome Project. Its first phase, printing out the entire genetic code for a generalised human being, may be complete by 2005.

But it will take many more years to resolve the Nature-Nurture argument at the molecular level – to discover how inherited variations between individuals interact with environmental factors to give different mental and physical traits.

Within the overall programme is the controversial Human Genome Diversity Project, which aims to study genetic variation between populations worldwide. Promoters of the diversity project, led by Luigi Luca Cavalli-Sforza of Stanford University, say it will not only "illuminate our understanding of human history and identity" but also help to combat racism by proving that important traits vary less between groups than within them.

Many of the indigenous peoples from whom DNA samples would be taken are refusing to cooperate, fearing that the results could be used against them. As *Nature* said in an editorial this month, the scientific justifications for the diversity project miss the point of the objection – that it "may make racial members objectively identifiable, and to their disadvantage."

It is already remarkable how, quite apart from the diversity project, scientists are finding more and more genetic variants that are characteristic of particular groups. This month, for example, an important mutation in a hereditary breast cancer gene was found to occur eight times more frequently in Ashkenazi Jews than among the general population; *Science*, the leading research journal, headed its report "Jewish Breast Cancer Gene?".

The Race Gallery will be an even more interesting book if Kohn rewrites it in ten years time.

Old ghosts revisited

Jackie Wullschlager enjoys high society memoirs in fallen angel prose

Gore Vidal's love affair with Gore Vidal is not just infatuation, Martin Amis noted, it is the real thing. In his essays, reviews, novels, the boastful, patrician cynical persona is always there, unable to keep himself out of the frame, that aristocratic cleverness at once illuminating and alienating.

"I am not my own subject", Vidal insists, but his brilliant, idiosyncratic personal voice comes from his ability to integrate his own life so completely into his writings on American politics and history. Like Macaulay and Trevelyan in 19th century England, Vidal, with his roots in an influential political family, writes national history as if it were family history, and it is this imperturbable, wordly insider's view that makes it distinctive.

Palimpsest, a memoir of his first 40 years, opens on a reception with the Kennedys and closes on dinner Chez Clinton and at first glance seems to be familiar Vidal territory – a Leporello-like catalogue of an old men's social and sexual connections. But it is not. Written in exquisite silky prose, as breathless and enthralled as a child opening a chocolate box, it is a story of boyhood love and loss, dizzying happiness and resignation. The first chapters here are recalled with a rapture which matches some of the great literary memoirs of childhood, such as Nabokov's *Speak, Memory*.

"Here I am in Eden: the Gore's house in Rock Creek Park", is Vidal's caption to the earliest photograph of himself, in the grounds of a 1920s Washington mansion. He grew up at the home of his grandfather, the blind Senator Gore from Oklahoma, who taught the boy his alphabet so that he could read aloud to him from the Congressional Record. At six, Vidal was booked on Livy. At ten, he was the youngest American to pilot a plane, supervised by his father, who was president Roosevelt's adviser on aviation.

Vidal has never been shy of parading his ancestors, but here, seen from a child's eye view, they have the resonance of fairy tales. His grandmother Dot, wrapped each day in a pink lacy nightdress because she saw no point in dressing for a blind husband, is a protective fairy godmother. Senator Gore is a kindly seer. Their alcoholic, hysterical daughter Nina, Vidal's mother, is the wicked witch. At 11, Vidal started to vomit each time he saw her. "Whenever my daughter appears upon the scene, it is like an evil spirit," says Dot.

Exile from paradise came when Nina married Vidal's stepfather, the fabulously wealthy but impotent Hughie Auchincloss, in 1935. At his home, the "ill named" Merry Wood, there were silk sheets, *white* servants, and the butler who took your breakfast order as you went to bed. The marriage did not last, and Hughie's next wife was Janet Lee Bouvier, making Gore a sort of stepbrother of Jackie Kennedy. His memory of Merry Wood fans out from a moment in the 1950s when he stands with Jackie at the door of the room which each inherited on their mother's marriage. Jackie later shared it with Jack; Vidal shared it with his teenage lover, Jimmie Trimble. "The small bedroom reminds me that, unlike Jack, I had once been (in this very room – and ever since?) in love".

Palimpsest is a parchment which can be written on and then wiped out. For Vidal, it is a metaphor for the "archaeological layers of a life to be excavated like the different levels of old Troy, where, at some point beneath those cities upon cities, one hopes to find Achilles and his beloved Patroclus." Trimble, killed at Iwo Jima in the Pacific in 1945, is Vidal's Patroclus. The account of their affair threads in and out of Vidal's memories, sentiment always just held at bay by irony, until on the last page you realise that it is actually the heart of the book: "I seem to have written, for the first and last time, not the ghost story that I feared but a love story." It is an elegantly modulated performance.

PALIMPSEST: A MEMOIR
by Gore Vidal
Andrew Deutsch £20, 435 pages

The result of this memoir by contrast is old ghosts. There is the usual settling of scores – Anais Nin, Updike – and the absurd "sex'n'power" stories that Vidal cannot resist. We have heard them before – Tennessee Williams taking a fancy to JFK's bottom; Wallis Simpson stealing the King because only she could cope with his sexual deficiencies; Auchincloss money launching Jackie into society after Nina had left, so that "one shudders to think that there would never have been a Jacqueline Kennedy Onassis if Hughie could have had a satisfactory erection".

Vidal's bragging can be obnoxious – of his encounter with Jack Kerouac, "we owed it to literary history to couple". His snobbishness is outrageous – he knows no sexual guilt, "a middle class disorder from which power people seem exempt". But he has, as he said of Jackie Kennedy, a "life enhancing malice", and a fallen angel prose – the "bright confetti of lunacy" of Tennessee's lovers, the poison-ivyed view of Merry Wood's lawn and the milk chocolate brown Potomac River – which makes even familiar tales shimmer.

While Vidal's novels are already beginning to look leaden and dated, my guess is that in half a century this memoir will still be enjoyed, along with Vidal's essays, as a record of life and lifestyle in old moneyed Washington, filtered through an extraordinary mind.

ARTS

Artists with no need to strike attitudes

Forget the issues, look at the talent argues William Packer

It is one of the great orthodoxies of modern art education that the work of the artist should be *about* something. The jargon is of analysis and discourse, of the re-examination and questioning of first principles, of engagement with issues and ideas. That this is all nonsense is made clear by one simple consideration: for if the "issue" were to be the final measure of quality in a work of art, there would, for example, be no "Crucifixion" any better or worse than any other. While *the artist may found his work* upon any theme he chooses, it can only be what he makes of it that counts.

But the pressure to conform remains strong, most especially where the artist is young, talented and ambitious yet whose natural bent is towards a kind of work that might otherwise be deemed old-fashioned and passé. Alison Watt is such an artist – just 30, a painter full of talent and energy. Her principal formal interest is in the figure, in particular the female nude, which she is prepared to address repeatedly on the grandest scale. It is remarkable in one so young, given current attitudes to the disciplines of the life-room, that she is technically equipped to carry it off at all, let alone on such a scale.

Clearly she has been looking long and hard at such painters as Euan Uglow and, especially, Lucian Freud, in the bare studio setting and the frank nakedness of the image. But what she has yet to achieve is their confidence to leave it at that, trusting the innate authority of the naked human presence to speak powerfully for itself.

But no: on the floor below the curled-up recumbent model, her head wrapped so tightly in a cloth as to seem no more than a stump, lies the skinned carcass of a pig. The feminist allegory is inescapable. Again, to the left, the pig hangs from its hook, with the model now standing to face us, but holding a partial image of the skeleton in place across her chest. To the right, the final panel of this huge triptych has no pig, but only the model standing now with her back towards us and the appropriate skeleton-drawing of ribs and shoulder-blades beside her.

"Everywhere . . . the body's integrity seems threatened by the sombre suggestion of ruination – by piercing, by slitting, *by binding*, by the *confounding* of that dualism which politely separates the dark and mysterious privacy of the interior from the publicly exposed surfaces of outer forms." Oh dear. Here we have, suggests the catalogue, "both a carefully informed commentary upon, and a strategic contribution to, the history of the female nude in the western painting tradition." Issue painting indeed.

The pity of it is that wherever such portentous and self-conscious emphasis in the imagery falls away, the work comes alive in its freshness and directness. Given the acreage she covers, Miss Watt is unsurprisingly sometimes rather mechanical in the modelling of the form and the description of flesh. But the drawing is always sound, and the handling overall most assured and convincing. In short, she is too good a painter to need to strike attitudes. The more straight-forward the work, the better it is – the small portraits and pastel studies are quite delightful.

Across the road, Mary Mabbutt, another figurative painter, falls into a similar trap, at least in her larger works. She has always had a strongly-mannered quality in her drawing – rather odd and quirky, coming close to caricature – that is inclined to be a limitation on her intuitive painterliness. The smaller paintings, worked presumably directly from the subject, strike the balance perfectly between the graphic and the painterly. Shoes and gloves spread across the bedroom floor, a scatter of children's toys, the familiar muddle of the kitchen table – images of a bright, but nervous domesticity, and all registered with a fresh and charming, just slightly off-centre visual wit.

Back in the West End, four senior painters simply get on with what they have always done, which is to respond directly to the visible world. The only "issue" which they would ever admit is the central and eternal painter's problem of how to register what is seen and felt of space and form, in terms of line and colour on the flat surface of the canvas.

The late Patrick Symons looked at landscape and musicians. Anthony Fry lays his delicate expressionist nudes upon the bed. Anthony Eyton has lately been working in the vast spaces of the Bankside Power Station, as turbines and generators are removed. And Euan Uglow stays in the studio, his magisterial nude, pale against the red-brown panelling, engaged with nothing more than the perceived reality of our shared and transitory existence in this world. Now there's an "issue" for you.

Alison Watt: Flowers East, 199 Richmond Road E8, until November 19. Mary Mabbutt: Paton Gallery, 282 Richmond Road E8, until November 19. Four Painters: Browse & Darby, 19 Cork Street W1, until October 28.

'Saint', 1994, by Alison Watt: wherever the portentous emphasis on imagery falls away, her work comes alive in its freshness

Why these companies cashed in

Antony Thorncroft explains the arts lottery handouts

Lord Gowrie is feeling slightly peeved. As chairman of the Arts Council of England he has had the task over the last six months of distributing £180m of lottery money around 315 arts companies. And all he has got for his trouble is media abuse.

This week's knee-jerk tabloid reaction against the award of up to £30m for the re-development of Sadler's Wells and £12.4m to complete the Globe at Bankside was typical: ill-informed diatribes that the poor punters of the north were subsidising the pleasures of the privileged rich of the south ignored the fact that the Wells mainly attracts the young, and the Globe will regenerate a depressed part of Southwark.

Fortunately Gowrie is pushing gamely ahead. "Ten years ago I travelled the country as arts minister. Now I go to the same places and find that the level of interest in the arts has grown not ten times, but a thousand times". But he is niggled enough by the criticism of the press to consider some changes in the way the lottery operates.

Much of the blame for the absence of national rejoicing is attributed to the charities' lottery board which will finally announce its first grants on Monday. If it could have got its act together faster the arts would not have been so exposed.

"We were efficient, and processed our applications rapidly, so the public thinks that the lottery is only for the arts" says Gowrie. Now the chairmen of the five good causes that receive lottery money meet with the heritage secretary, Virginia Bottomley, each month to plan how to process the good news. One idea is that their announcements should coincide, so that an award to an opera house comes alongside approval of a new sports stadium, some countryside preserved, and millions to charities.

Gowrie is also trying to drum up more applications from the inner cities and the distant regions. The council cannot suggest projects: it can only respond to ideas from the arts world. According to Jeremy Newton, who runs the arts lottery, one of the surprises to date has been the shortage of applications from existing Arts Council clients in the regions, like the repertory theatres, art galleries and film houses. The expectation is that their bids will soon arrive, redressing the perceived bias towards London projects.

In the next few months multi-million pound schemes, like the Lowry art centre at Salford; the conversion of a flour mill in Gateshead into a contemporary art gallery; and concert halls for Bristol and Newcastle should reach the Arts Council. In contrast the only big London developments still to arrive are for the South Bank, the Coliseum and the Albert Hall, which is also seeking help from the Heritage Board.

Lottery funding can only go towards capital projects. Gowrie has successfully stretched this to include commissions for new works, be it a play, music, or art to help launch a new, or refurbished, arts venue. He has also embraced film, with grants of £750,000 and £1m going towards planned movies of Adrian Noble's RSC production of *A Midsummer Night's Dream* and William Golding's novel, *The Spire*.

Now he wants more applications from art forms that lose out on the lottery because they have limited capital needs like jazz – or reggae, an activity for which Gowrie revealed an unexpected passion: "my motto is 'from reggae to Rigoletto'". Reggae bands could qualify for new instruments; jazz bands for help with recordings.

He is more circumspect about the vociferous lobby which is trying to widen lottery funding to include revenue grants to arts companies. He believes that there is still much essential capital expenditure required. In addition, blurring the line between capital and revenue would threaten the government's annual grant to the Arts Council.

Gowrie is also sceptical about the idea of channeling lottery money into endowments. "A satisfactory endowment for Covent Garden would consume most of a year's lottery money." But, in time, there must be movement. The arts lottery chairman, Peter Gummer, said this week that there are currently 395 applications pending, seeking a collective £218m. Beyond that there have been 1,400 "notices of intent" of an application, with a total budget of £530m. If most of these projects are approved they would absorb just three years' of lottery funds. Before the millennium the capital structure of the arts in England should be secure.

> The council cannot suggest projects; it can only respond to ideas from the arts world

Then the heritage secretary of the day will be able to examine how lottery funding can sustain the arts in other ways. Jeremy Newton envisages different approaches to each art form – orchestras could be provided with an instrument pool and helped with recording deals. Theatres would be encouraged to commission plays for their new stages which could then be toured and videoed. The aim would be to develop packages that widen the reach of the arts and that do not disrupt traditional funding.

In the meantime Gowrie must help Virginia Bottomley to persuade the Treasury that the arts need more subsidy on top of the lottery. Only a cock-eyed optimist will expect a real increase in the annual grant in the November budget. Gowrie is confining his ambitions to recouping the 12 per cent cut in funding that the Arts Council suffered two years ago which, together with an inflation increase, would make a grant in excess of £200m. This would endorse John Major's pledge that "the money raised by the lottery will not replace existing government spending".

Television/Christopher Dunkley

The outer limits and beyond

In order to get away with the line "Why is lobster thermidor like oral sex? Answer: you don't often get either at home" most programmes would have to be on Channel 4, or very late at night, or of such minority appeal that nobody would be expected to notice. *Cracker* – which is where it occurs – goes out in peak time on ITV and attracts 15 million viewers. It has won the right to use such material because, in its very short history, a history which (barring the occasional Christmas special) we are assured will end next week, it has pushed the permissible to the limits and beyond, and justified its case every time. In the process it has attracted numerous complaints and the usual simple-minded accusations of causal connections between its plots and events in real life.

After one story it was blamed for the stabbing of a midwife in Lincoln. When the plot had a black man raping white women it was accused of "stereotyping" and endangering good race relations. And when the narrative involved a young man from Liverpool setting out to murder 96 members of the establishment in memory of Hillsborough even the police complained. On each occasion it quickly became clear that the production company, Granada, and the production team, especially the creator of the series, Jimmy McGovern, had thought much longer and deeper and more carefully about these problems than the knee-jerk-response hysterics who protested.

Cracker has now been through the fire so often that the cast-iron integrity in which it is cased must be well nigh impregnable. Hence the inclusion of that line about lobster thermidor which, in addition to being funny, has a perfectly serious point to make. What a terrible shame if the three-part story starting tomorrow really is the last of the proper series.

There is nothing particularly original in having a crime series which looks at the life and tribulations of the crime solver as well as at police routine and the life and activities of the criminal. Indeed, you could argue that from Sherlock Holmes to *Hill Street Blues* this has been a standard characteristic of the genre. Nor is it so very unusual for the audience to know from the start who committed the crime, which has been the case with *Cracker* usually.

Cracker's power comes partly from its larger-than-life central character, Dr Fitzgerald, known as Fitz, played at full belt by the magnificent Robbie Coltrane. It comes partly from the fact that this character, instead of being a detective is a police psychologist. But it comes mainly from the decision, presumably taken by McGovern (there have been other writers on the series) not merely to include material about the lives of the good guys but to give equal weight to show that these guys are only *comparatively* good.

Thus in this final series, which begins tomorrow, we have not only the central case which involves prostitutes being killed, but the death of Fitz's mother and a touchy relationship with his brother; several scenes in which Fitz drinks too much; his lack of faith with his wife over gambling; his Roman Catholic faith, or lack of it, the coming to term of his wife's pregnancy; the emergence from a nervous breakdown of DS Jimmy Beck who, at the end of the last series had seemingly raped Fitz's inamorata, DS Jane Penhaligon; Penhaligon's determination to force a confession out of Beck; and Beck's continuing sorrow and guilt about his involvement in the death of Chief Inspector Billborough, an incident which takes us back near to the beginnings of *Cracker*.

There are other ways in which *Cracker* differs from its competitors. Fitz is not portrayed as a loveable rough diamond or a fetching eccentric in the long tradition of anti-hero detectives, but as a driven man who is in several ways genuinely reprehensible. In one of several paradoxes he perpetually defends women and women's rights in the course of his work and is shown to be capable of understanding and sympathising with them, yet his own treatment of them is consistently disgraceful.

However – and this is one of the most important ways in which the series differs from many others – Fitz is never in any doubt about right and wrong within the criminal context, however ropy his own morals may be. And, most important of all in a world of television drama where writers and producers now seem lost in a forest of relativism, unable and unwilling to tell right from wrong, *Cracker* as a series has always been absolutely clear on such matters whether criminal or social.

Of course the stories have been pretty good too. The climax of this final tale, a week on Monday, simultaneously solves the Beck rape conundrum and a seeming miscarriage of justice within the prostitute murder case in a way which, while definitely climactic, brings things down to earth with a bump.

هكذا من الأصل

ARTS

Radio/Martin Hoyle

Waves of contention

See how the fates their gifts allot/For A is happy, B is not./ Yet B is worthy, I dare say,/Of more prosperity than A.

W.S. Gilbert's philosophising, as durable as much that we have heard and have still to hear in this celebratory year of things British and *Foirest Isle*, must strike a chord with the toilers in the BBC's vineyard. For "A" read Radio 2, doing exceedingly well; for "B" read Three. A casual mention of Radio 3 to a friend over the phone the other day, an ex-media social-working amateur choral civilised sort of person, the type who used to switch on automatically to Radio 3, prompted an explosion. "I started the day with Paul Gambaccini and ended it with what sounded like heavy rock," she spluttered.

She could of course have started the day earlier with Andrew McGregor whose *On Air* record programme last week scattered lesser-known Martinu, Pleyel and Reger among the tried and trusted, though on Monday he gave a painless lead-in to Gambaccini with Rachmaninov's Paganini.

She could have dozed off to an even richer selection last week: French piano duets, a reassessment of Admiral Nelson, a reminder of that stormy petrel the actor/composer/author Charles Dibdin (a real find for this British year); less somniferously, the excellent *Hear and Now* (Robert Ziegler introducing new music), *Americano* (only the mischievous would suggest we get that at every level of current British culture anyway) and – arguably somnolent – a programme devoted to the British symphony of the 1950s.

In fact, a glance at the Radio Times in any week would make the music-loving foreigner's mouth water. There is a tremendous range of music still on Radio 3, much of it still relatively obscure and bravely programmed. This is no more than one would expect from the controller Nicholas Kenyon, amiable and erudite, who in calmer times would have won praise for his taste and integrity.

But when Radio 3 stoops to folly it gets a slipped disc. The pressures on the station to win a broader and presumably younger audience, and specifically (though officially this is denied) to compete with Classic FM, lead to such bird-brained schemes as Gambaccini's *Morning Collection*.

It is unfair to complain that his programme consists of lollipops. It doesn't: last week had the thread of Haydn piano sonatas running through all five programmes, and Debussy's *La Damoiselle élue* is hardly housewives' choice. But between nine and ten in the morning we had such chestnuts as *Eine kleine Nachtmusik*, Tchaik conducted by rock star Bobby McFerrin, *the* aria from the film *Diva* and *Zadok the Priest*, all refugees from *Your Hundred Best Tunes*.

The crowning misjudgement is Gambaccini himself, his tone hushed and unctuous, as if handling something special called high culture with kid gloves. His delivery is the speech equivalent of muzak in a hotel lift. Gambaccini's programme is being trailed on Radio 4, a miscalculation since that channel is now home to quite a few defectors from Three, escaping everything that Gambaccini stands for: the smooth Radio Two-isation of that envy of the world, the old Third Programme.

This is of course grossly unjust. Last week's pleasures on Three included Judith Bumpus' *Landscapes of the Mind* inspired by that genuine English artform, the landscape garden. *Britten Plus* is a brilliant idea, a series coupling the British composer's songs with composers he admired. *The Instrument Makers*, five close-ups of our musical history, introduced by Michael Oliver who has one of those voices I thought banned from the new Three – reassuring, friendly, authoritative – was a cracker. Complete opera broadcasts included Turnage's *Greek* and Schubert's *Fierrabras*. All in the great tradition.

In drama, Radio 3 is right to do new plays like *God's Locusts*. In fact Terry Eagleton's satirical treatment of the Irish potato famine was a stereotype-filled cheat, underlining every point three times with a red pencil. But the policy of presenting plays by eminent academics on controversial subjects is sound.

So why, given this catalogue of excellence compiled with probity and expertise, does Radio 3 attract so much obloquy? When it falls, it falls heavily and publicly, by definition inevitable when it sees its business as catching the public eye rather than gratifying the individual ear; and partly because it has become the unwilling symbol – albeit a victim – of the provincial grocer's philosophy by which we now live, a philosophy of cheesewire, of hiding choice titbits of the service under the counter to sell off to favoured customers to exploit as they will.

The philosophy, in short, fails to realise that value for money is not always quantifiable by scales or balance sheets. But that is a problem that occurs elsewhere, everywhere, in British life at the moment. Don't shoot the pianist (or harpsichordist or theorbist or drama producer): he's doing his best. The deejay is another matter.

Chess No 1097: 1 Be2+. If Kxh4 2 Bh5 g5(gxh5 3 Kf3 Kh3 4 Rxh5) 3 Bg6, and if Kg4 4 Rd4, or g4 4 Rh5. If 1...Kf4 2 Kf2 g5(Ke4 3 Bf3+) 3 Ng6+ Ke4 4 Bf3 mate.

Prophet and scourge of Israel

James Woodall talks to the outspoken Amos Oz about his unique status as the leading novelist in a country whose language has no word for 'fiction'

Amos Oz springs across the room to shake my hand. Short and weather-beaten, he looks like a farmer and cuts an unlikely figure for a man who in his own country has been called, by turns, prophet and scourge of governments. Israel's foremost contemporary novelist, his reputation built on the worldwide success of *My Michael* (first published in Britain in 1972), is over for the appearance of his 11th novel in English translation: *Don't Call It Night*.

It was time, he roared after Hamas bombings of Israeli buses in April 1994, "to arrest and prosecute all those who incite to bloodshed, and to try and imprison all Arabs and Jews who so much as dare to threaten to stop the peace by violent means."

His British equivalent might be a Northern Irish novelist who for 25 years had never drawn breath over the Troubles, and would now be recommending internment for suspected post-ceasefire knee-cappers – on both sides of the divide.

To be a novelist in Israel (whose language, Hebrew, has no word for "fiction") is to have unique status, both in his homeland – "Israel," says Oz, "is one of the few places where an editorial in a daily paper will disagree with the politics of a fictional character" – and in the world at large. Oz is only too well aware of the fact: "People read novels from troubled parts of the world as if they were allegorical statements about the state of the nation. If you write about a mother, father and a child's pocket money in Israel, there are reviewers who will assume the father is the state, the mother tradition, and the pocket money the inflation rate."

Don't Call It Night features a childless, middle-aged couple affected by the recent drugs-related death of a teenage boy. Noa, the female protagonist, is driven to find out why and how the boy died and persuades her reluctant partner, Theo, to open a rehabilitation centre. While the book touches on an increasingly acute drugs problem amongst the young in Israel's cities, the novel is not issue-led; it is more a reflective account of two people trying to re-discover each other. It is Oz's quietest book to date.

"Even if I wrote a letter of denial or a protestation on the front page of the novel, saying, 'No, I don't mean Palestinians, I don't mean Israelis, I don't mean church and state, I only mean a family thing,' people still wouldn't believe me." *Don't Call It Night* has been greeted in Israel with accusations of "escapism". Yet if reviewers suspect a cooling-off on Oz's part from engagement with the burning issues of the Middle East, they fail to appreciate that this has never been an overriding concern in his fiction. Nearly all his novels deal with families, with intense, and intensely imagined, sexual relationships and most strikingly – from *My Michael* to the epic *Black Box* (1987) and now the new book – are told from the female point of view.

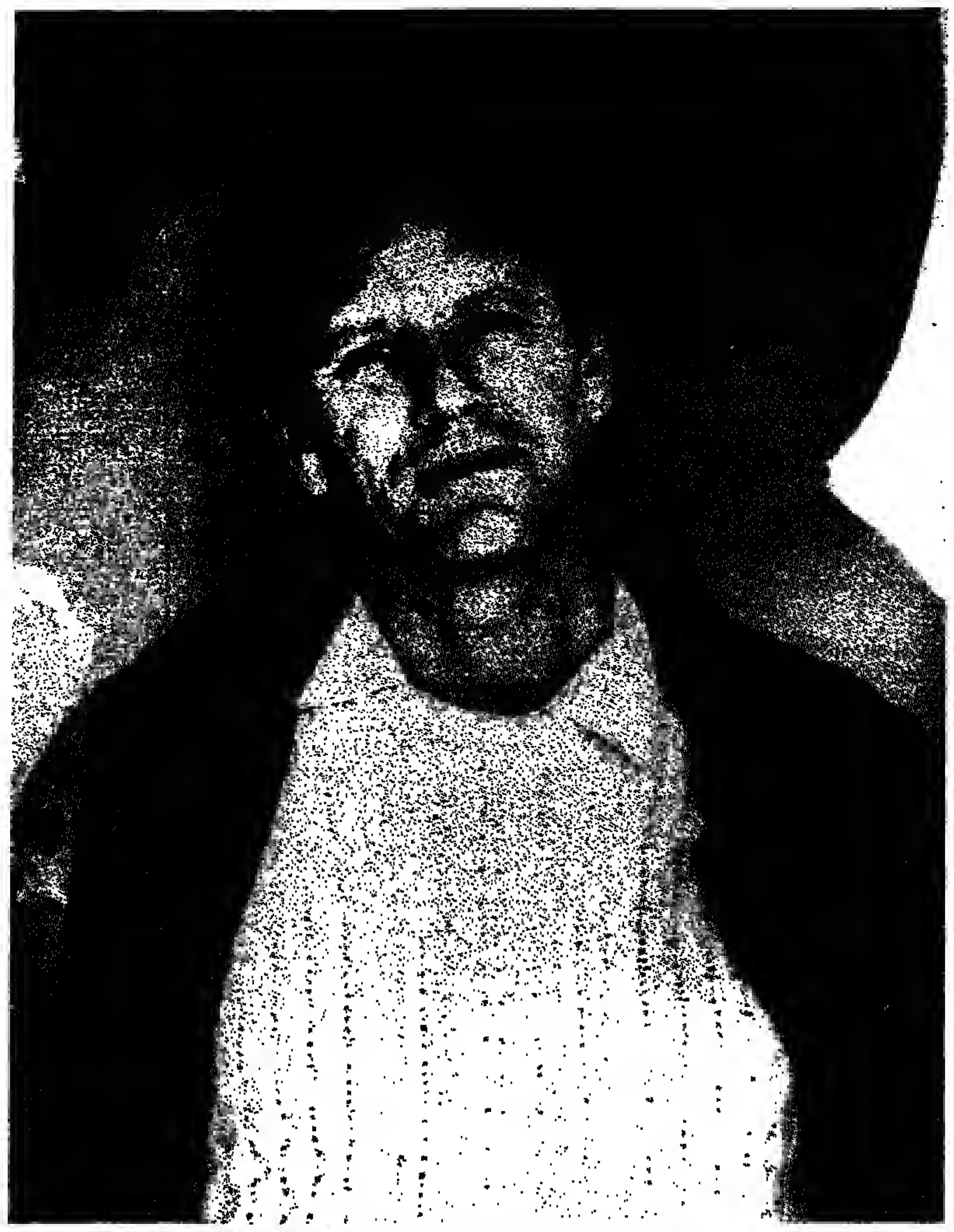
"This book was triggered by a personal experience of middle age," explains Oz, now in his mid-fifties (the title in Hebrew makes it clear that "Don't call it night" is addressed by a man to a woman – implying, "Don't give up, yet"). "It's about middle-aged love, and comes out of a conscious evolution in my recent work to focus on the family and relationships. I'm fascinated both by the family, the most mysterious, unlikeliest institution in the world, and by addiction, by obsessions and fixations that don't diminish but actually develop with age."

> People read novels from troubled parts of the world as if they were allegorical statements about the state of the nation

As Oz moves out of his prime, he shows no signs of leaving behind his own fixations. The son of Slavic-Jewish parents who fled the Nazis, he has been a shrewd witness of his country's evolution from violent birth to shaky maturity. He has also taken part, as a member of the Israeli army, in its most crucial struggles: against the Arabs in the 1967 Six Day War and then again in 1973. He is passionate about peace, and when Israel invaded Lebanon in 1982 was unequivocal in his condemnation.

"Like the Falklands war, this was an optional war. It was fought not for survival, but for benefits, for an extra bedroom for the nation." He vehemently opposed the government and Israeli majority public opinion, joined demonstrations and campaigned with the Peace Now movement. Oz calls himself a peacenik, not a pacifist: he will fight, that is, if attacked – which is what allowed him, to the dismay of many peace groups, to support the offensive against Iraq in 1991.

In a nation built on absolutes, many enshrined in religious law, Oz's unpredictability can seem refreshing. It is why he is a novelist, and not a politician.



Amoz Oz: one pen for politics, another for fiction — Sally Soames

"I never write articles to commission. I have two biros. If I'm in a rage, I pick up the biro I reserve for journalism: when I'm 100 per cent in agreement with myself, I tell the government what to do. When I'm not in full agreement with myself, I pick up the other biro, and write a story."

In the light of political developments in Israel, I remind Oz of his comments about imprisoning opponents to peace. I mention that last year the distinguished Palestinian writer Edward Said told me that civil war was likely in Israel: Israeli would kill Israeli.

Oz's response is swift: "Is that Said's pessimism, or Said's wishful thinking? I do not anticipate civil war. Israelis are too verbal, too loud, too screamy actually to pick up guns and start shooting each other. The religious-secular divide is a huge problem. Yes, there will be ugly scenes between settlers and the police, and long after the Arab-Israeli conflict is over, this will stay with us, for a century or two. But I do not want the problem to be solved by blood and fire. It can only end through a process of evolution."

■ *Don't Call It Night is published this week by Chatto & Windus, £14.99, 199 pages.*

LONDON PROPERTY

COUNTRY PROPERTY

INTERNATIONAL PROPERTY

COUNTRY PROPERTY

For advertising rates and information, please contact THE PROPERTY TEAM on 0171 873 3252 Fax: 0171 873 3098

هكذا من الأصل

هكذا من الأجيال

PROPERTY

Parking – it's enough to drive you mad

Gerald Cadogan on the hidden costs of owning a car in London

Keeping a car in central Londoo is quite a game – the owner versus the borough council and traffic wardens. And the goalposts are always on the move as councils paint more yellow lines, create new residents' parking zones or extend ths hours that parking rules apply.

Their edicts – backed up by wardens, clamping, towing and financial pain – affect the daily lives of thousands of Londoners and the capital's property market.

It is a short-term contest. It is hard to spot more behind the councils' restrictions than the desire to keep space on the street – a premium product of limited availability – for the use of the people who live there, and not for the use of commuters who leave their cars all day.

Residents' zones are spreading ontwards, as in Camden and in Hammersmith and Fulham, forcing commuters to take longer journeys by tube or train.

The long-term issue of private cars on the streets of inner London hardly enters people's calculations, mainly because no policy is apparent. Nor will there be until London has a central authority again to decide such matters.

In the meantime, anyone considering keeping a car in central London must recognise that they are a drain on the emotions and the pocket. It would be rational to use public transport and taxis – and when you need a car, do as New Yorkers do and rent one for a sbort period.

Yet car owners abound, seeing the machine as indispensable for shopping, school runs, going out in ths evening or driving to work (provided a parking space is waiting).

The price, of course, is high. Frustrating traffic jams lead to penalty points for speeding when the road clears – the police had brisk business on Waterloo Bridge last week, for example. And being caught leaving the car in the wrong place can easily cost £100.

The nub of the parking problem is that there is not enough space on streets originally designed for horses and carriages. Every terraced house divided into five flats stretches the demand since there is not room for five cars in front.

What happens? Residents' permits exceed spaces available, which may or may not be a problem during the day, depending on how many people in the street have taken their cars to work.

Kensington and Chelsea issues 36,881 permits (at £70 a year each) for 24,500 bays (and has 5,200 metered and pay-and-display bays). Westminster totals are 33,665 permits (£75), and 25,893 residents' bays and 9,727 other bays. Both councils stress that they are trying to provide as much space as they can by scrapping unnecessary single yellow lines, which often used to mark loading bays. Camden has been doing the same.

Kensington and Chelsea permits are the most flexible. They are not divided into zones and offer free parking throughout the borough, while other councils (such as Westminster) have zoned their permits and restrict their use to a small area.

This can lead to anomalies: take note, for example, if you want to live on the edge of Belgravia. One side of the street may be Kensington and Chelsea, allowing access to Harrods, the King's Road and Kensington High Street, and the other side Westminster, with parking allowed only as far as nearby Victoria.

Hammersmith and Fulham in west London is steadily extending its schemes, at about four a year, and none too soon for many residents who have endured gross overcrowding for years.

It intends to cover most of the borough eventually. Then it will have time to review the schemes, perhaps introdncing extended hours in some areas so that residents do not lose out on early evening spaces to those who have come for the pubs, clubs and restaurants.

Similarly in Camden, residents' parking even applies on Sundays around Camden Market.

When a new scheme is set up, however, it increases the parking load on any adjacent free zone, said a Fulham resident who has found herself leaving her small car 15 minutes' walk away since October 1.

Recognising this knock-on effect, Hammersmith and Fulham can only press on with more schemes. New schemes allotting only one permit force a new pattern of life on two-car households.

The options are expensive: buy a garage – owners of classic cars favour the unconverted ground floor of a mews house – or live in a modern apartment block with secure underground parking. But this is much in demand, and hard to find.

John Hunter of Northacre, the developer of Observatory Gardens, W8, estimates that the garages have added as much as 25 per cent to the value of the apartments.

An integral garage may add £50,000 to the price of a house, says David Forbes of Chesterfield, with an off-street space between £25,000 and £30,000.

Lorna Vestey of Knight Frank & Rutley suggests that sucb parking may add 10 per ceot to the value of a house. The mosl expensive individual garage must be ooe off Cadogan Square, SW1, which is said to have been sold last summer for £100,000.

Mayfair is an especially difficult area. "Car parking spaces bere are like Havana cigars. They never go down in value," says cigar-smoking local agent Peter Wetherell of Wetherell. Residents can obtain concessionary rates in the two big NCP carparks.

The Hyde Park estate in W2 is easier, as most apartment blocks have underground parking and many houses have a garage or secure parking is available nearby, says Alison Treneer of Chestertons Residential's Hyde Park office. In turn there are always meters and residents' spaces free oo the street.

And what is for sale? In Mayfair Lassmans (0171-499 3434) offers a house in Farm Street, W1, with integral garage for £1.95m, or take a flat in a small block off North Audley Street with garage for £425,000 through Chestertons Residential (0171-629 4513).

Going half a mile north, the London Mews Company (0171-402 3275) lists two mews houses off Devonshire Street, W1, one with space for three cars (£275,000) and one for five (£290,000) but in need of work. In Lancaster Mews, W2, a similar mews house is available for £275,000.

A mews house in Belgrave Mews West costs mnch more, £910,000 from KFR (0171-824 8171) – which must include a premium for the possibility of enfranchisement (the ground rent being only £50 a year). KFR's Kensington office (0171-938 4311) offers two terraced houses in W8 with off-street space. One in Allen Street costs £720,000, and one in Stanford Road £1.1m.

Whether these spaces will still be any use in 20 years is an open question ...

The road to nowhere: parking problems in residential west London

Fergus Wace

With precious off-street parking: Stanford Road, London W8

With integral garage: Farm Street, Mayfair

OUTDOORS

Motoring / **Stuart Marshall**

A brave new world at London's show

With British buyers reluctant to spend as freely on new cars as the industry and trade would like, there is a distinct lack of the feelgood factor in dealerships – but not at the London Motor Show, which is braver and more up-beat than ever. It opened at the Earl's Court exhibition centre this week and runs until next Sunday. Most of the star exhibits are making their UK debut after being unveiled at Frankfurt last month.

An alphabetical list of all the exhibits would be nearly as long as a London telephone book but some stands should not be missed by any potential buyer or user-chooser even though, in many cases, the cars may not be in dealerships for weeks, even months, to come.

One is the new Rover 200: it is not being launched officially until the spring but is making a surprise first appearance at Earl's Court.

The Fiat Brava five-door and Bravo three-door, and the Renault Megane (see adjacent story) are essential viewing for those contemplating a change from their Escorts and Golfs. Come 1996, they will be raising the temperature in this most hotly contested sector. For the same reason, Honda's three and four-door versions of the Civic and the Nissan Sunny's successor, the Almera, deserve a careful look.

The front-end styling of the new Ford Fiesta might not be to everyone's taste but the car has been upgraded so much in performance and refinement that it feels half a class above the old one.

Among mid-sized family-cum-fleet cars are the Peugeot 406, Vauxhall Vectra, Mitsubishi Carisma and Volvo S4. The 406 and Vectra are straight replacements of the 405 and Cavalier whereas the S4, which shares a lot of the Carisma's underpinnings, falls between the Volvo 400 and 850 in size and price.

Chrysler's return to the UK car market is foreshadowed by the Neon – a two-litre, four-door saloon of European dimensions and handling but decidedly transatlantic detailing. Expect highly competitive prices when it arrives early next year.

User-choosers and affluent private buyers get their first opportunity to see a new standard-setter from Germany, the Mercedes-Benz E-Class. More of this next week.

Two newly arrived estate cars will be challenging that established favourite, the Ford Mondeo. They are the Citroën Xantia and Renault Laguna. While the Xantia wins hands down for elegance, the Laguna – which replaces the Savanna – is a touch roomier and can be had with seven seats.

New multi-purpose vehicles can be seen on the stands of Citroën, Fiat, Ford, Honda, Peugeot, Seat (its Alhambra is due in Britain in the spring) and Volkswagen, while a version of Ford's Galaxy is being shown with permanent four-wheel drive and leather-trimmed swivelling chairs.

Renault's challenge

Having sampled three versions of the new Renault Megane, I am confident that for build quality, performance and refinement it will give its class rivals a good run for their money, *writes Stuart Marshall*. It goes on sale in France next month as a five-door hatchback (pictured) and three-door coupé but will not reach Britain until late spring next year. Initially, buyers will have a choice of 1.6-litre, 1.8-litre and two-litre petrol engines; 1.9-litre diesels and turbo-diesels will follow soon. Some will be offered with a clutchless gear-shift.

Mainstream power unit is a 90hp, 1.6-litre development of the Energy engine from the Renault 19 which the Megane replaces. It spins sweetly, pulls smoothly at low speeds and I found it surprisingly vigorous.

Although the 1.6-litre will be the entry model for Britain, I liked it best because it rode more softly than the 1.8 or two-litre models, which have slightly stiffer suspension and wider tyres. Power steering is standard and the five-speed gearbox has a light, positive shift.

Renault has ambitious plans for the Megane, which looks like the Laguna's younger brother. Within about a year, a four-door saloon, a cabriolet and an Espace-style four-seat, multi-purpose vehicle will be added to the range.

The five-door is a roomy 4/5-seater with a large boot. The three-door coupé is a genuine four-seater but boot space is less generous.

Gardening / **Robin Lane Fox**

An end to the midsummer dream

Sometimes it all goes right – and it has gone better than ever in the past month. Gardeners are enjoying a dream autumn, better than any I remember in 40 years at the game. The light is soft and variable. The rain is intermittent and the soil is perfectly workable, a blessing to anyone still planting bulbs.

I cannot understand those gardeners who think the whole business is past its peak in mid-July. This year, October has outclassed all other seasons, just when traditional gardeners have shut themselves to the public and started to think about raking leaves.

I will never be tempted again to spend serious money on improving a lawn. Every year, we do all the recommended things to the front lawn in my Oxford college and, every year, I do none of the recommended things to my own lawn at home. The result is that my own lawn is as vibrantly green as anyone's mental image of Galway, while much of the lawn in Oxford is stone dead.

The dry summer bit fine grasses hardest and, on principle, we would not water. The fine grass died, whereas my home mixture of rye grass, daisies and mixed vegetation sprang back into vivid life after the serious rains in September. I have seen this effect too often to be seduced by advertisements for yet more activity and expense in search of the perfect sward. They land you with a fragile covering of fine green which is quite unable to survive the summer at its fiercest.

Only this spring, I was blaming myself for the poor state of the turf. If I had done anything which the experts suggested, I would now have a brown prairie into which clover and moss were re-appearing. The keen gardeners who know most about plants never seem to waste time on lawns. In future, I will not even blame myself for trying to imitate them.

Elsewhere, the best things have joined with some delayed things in perfect light and shade and reminded us all why gardening can be an anticipation of heaven. The second season came late on many roses after the dry summer. Some of the phloxes started again and there is a mass of flower on late clematis, especially the yellow-flowered varieties.

Some of the stars of summer have re-awakened after missing their turn in the dry August. My personal star is the little-known Abelia chinensis against a south wall.

This evergreen shrub seems to be hardy but is mentioned less than its taller cousins. It has rounded clusters of flower in palest pink which ought to appear in August. They are flat out now, giving off a wonderfully sweet scent. I recommend this neat and easy grower strongly to anyone with space on a low, warm wall.

Older favourites are outperforming their high standards. Last year, I gave serious space here and in the garden to the many good Michaelmas daisies, grown beautifully in the national collection of Paul Picton at Old Court Nurseries, Colwall, Worcestershire. In the care of the Picton family, scores of varieties look their best. But I can now confirm that some of them look almost as good in the hands of a hard-pressed scribe.

Unless you like mildew, the right course is to opt for the smaller-flowered varieties, such as amellus or cordifolius, or the novae-angliae varieties, which are so much healthier. The small-flowered forms like my dry soil and seem unbothered by the recent drought.

Everything bought in Colwall has been excellent but the best is a marvellous, mid-blue variety which stands out with metallic clarity. Aster Little Carlow is available widely but few of the great authorities seem to dwell on it. It is about 3ft (0.9m) high, better when staked lightly and quite exceptional, even in this exceptionally rewarding family.

The tall Aster Chieftain is almost as good, and the low sprays of flower on Cinderella and the familiar Pink Cloud are unstoppable anywhere. All of them can be divided into dozens of plants in their second spring and they need no complicated spraying or manure.

This year, they have coincided with my best delayed yellow daisies, the tall old Helianthella *quinque nervis*, as botanists now call it. This remarkable plant is rampant, 5ft (1.52m) tall and forgotten almost entirely, although it used to grow in village gardens before *Gardeners' World* distorted their horizons.

Showers of blue asters stand beautifully beside the unstoppable helianthella. I have no idea if blue and lemon yellow are acceptable on the scientific charts with which authors now try to direct us but, to my eye, they have always been a special pair, especially when the light softens in autumn. And, this year, they have been joined by another belated discovery.

Perhaps you know the same catalogue sensation, when you start turning the pages hoping to find the perfect plant which is not yet known to you. By the time you reach "R", you start to despair and end up ordering yet more salvia and compromising with a tradescantia.

In your early optimism, you hurry past old friends such as chrysanthemums (which have, anyway, been renamed and stuck under the letter "D", to my disgust). A hardy chrysanthemum for September and October will not stop you in your tracks, even less so as it is billed as an apricot orange.

This year, I relented and tried one plant of Chrysanthemum Mary Stoker. It is excellent, a soft and pale apricot which goes wonderfully with the blue asters and needs no attention. One plant, unattended, has thrown up scores of stems in this dry summer and now asks to be increased in quantity from its easy cuttings. There are others in this hardy category, but Mary Stoker has that special something and I cannot say any of the others is quite so good.

Eventually, I think I might have found my gardening vocation. I am an October gardener when the choice is narrower but knowledge pays off, not just at the upper level of autumn leaves.

The hardy plumbago has never been so brilliant a blue; the asters are everywhere; my incorrect turf looks wonderful and, here and there, my personal signature is arching with flowers as never before – the remarkable lespedeza, which looks almost dead every year until mid-July. Why ever are we made to think that gardens are only a midsummer dream?

INTERNATIONAL ARTS GUIDE

What's on in the principal cities

AMSTERDAM

GALLERIES
Rijksmuseum Tel: (020) 673 21 21
● The Portrait: drawings, prints and photos spanning some 500 years. Artists include Van Gogh, Rembrandt and Gaugin; to Oct 29
Stedelijk Tel: (020) 5732 911
● 100 Years: three exhibitions to celebrate 100 years of The Stedelijk. On show is art from the Regnault Collection which includes the likes of Kandinsky, Chagall and Chirico; to Oct 29
● Christiaan Bastiaans: giant video installation; to Nov 26

OPERA/BALLET
Het Muziektheater Tel: (020) 551 89 22
● Moses and Aron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aron; 8pm; Oct 23, 25, 28

ANTWERP

OPERA/BALLET
De Vlaamse Opera Tel: (03) 233 66 85
● The Marriage of Figaro: by Mozart. A new production directed by Guy Joosten and conducted by Peter Erckens. Soloists include Boje Skovhus, Gillian Webster and Stephen Gadd; 7.30pm; Oct 22 (3pm), 25, 28, 31

ATHENS

GALLERIES
Cycladic Art
● British Images of Greece: from the Benaki Museum; to Oct 30

BALTIMORE

CONCERTS
Symphony Hall Tel: (410) 783 8000
● Baltimore Symphony Orchestra: with soprano Harolyn Blackwell, mezzo-soprano Delores Ziegler and tenor Karl Dent. Robert Shaw conducts Barber and Mozart; 8.15pm; Oct 21

OPERA/BALLET
Lyric Opera House Tel: (410) 727 6000
● La Traviata: conducted by Alfredo Silipigni and directed by Frank Corsaro. Cast includes Daniela Longhi/Maria Pellegrini, Nicole Biondi and Steven Rainbolt; 8.15pm; Oct 21, 22 (3pm)

BARCELONA

GALLERIES
Centre de Cultura Contemporània Tel: (093) 4120781
● A Century of Cinema: documents, photographs, excerpts from films, sound documents and showings of the most representative images of the medium; to Jan 15
Fundación Joan Miró Tel: (93) 329 19 08
● Arata Isozaki: drawings and paintings by the Japanese architect who was responsible for the Los Angeles Museum of Art, the Brooklyn Museum, Munich Museum of Art and other buildings of a public nature; to Nov 5
● Olx, Reus, Paris, London – That's *How I Wander...*: installation by the group of artists, Fundació Joan Tabique. A voyage through time and memories; to Nov 19

BERLIN

GALLERIES
Bauhaus Archiv Tel: (030) 254 020
● The A and O of the Bauhaus: more than 400 Bauhaus advertising designs that demonstrate their printing, typography and graphics; to Nov 12
Brücke Museum Tel: (030) 831 2029
● The Bridge's Watercolours: more than 250 pieces by "Bridge" artists such as Erich Heckel and Ernst Ludwig; to Jan 7
Martin-Gropius-Bau Tel: (030) 25 48 60
● Berlin-Moscow Moscow-Berlin: 2,000 paintings, photographs, film and stage sets by artists such as Dix, Chagall, Nabokov and Grosz. This is the centrepiece of the Berlin-Moscow festival; to Jan 1
Neue Nationalgalerie Tel: (030) 2662653
● Cy Twombly: retrospective consisting of 120 works by the American artist; to Nov 19

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani; 7.30pm; Oct 21, 25

BILBAO

GALLERIES
Bellas Artes
● Liebermann, Slevogt and Corinth: representatives of German Impressionism; to Oct 29

CHICAGO

GALLERIES

Winslow Homer's 'The Life Line' on show at the National Gallery, Washington until January 28
Philadelphia Museum of Art: George Elkins Collection

Art Institute Tel: (312) 443 3600
● Claude Monet (1840-1926): comprehensive exhibition of Monet's work. 66 institutions and 37 private collections from 15 countries have contributed 159 works for this show; 7pm; to Nov 26

DUSSELDORF

GALLERIES
Kunstsammlung Nordhein-Westfalen Tel: (0211) 83810
● The World of Children: comprehensive survey of Picasso's work with children; to Dec 3

FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts Beethoven's "Symphony No.1" and "Symphony No.3"; 8pm; Oct 31
● St. Petersburg Philharmonic Orchestra: Yuri Temirkanov conducts Rachmaninov's "Symphony No.2" and selected pieces from Prokofiev's "Romeo and Juliet"; 8pm; Oct 22
● State Orchestra of Dresden: Giuseppe Sinopoli conducts Busoni, Schoenberg, and Tchaikovsky; 8pm; Oct 30

GALLERIES
Schirn Kunsthalle Tel: (069) 29 98 82 11
● Longing for Happiness: exhibition of paintings by the Viennese trio Gustav Klimt, Oscar Kokoschka and Egon Schiele; to Dec 3

HAMBURG

GALLERIES
Kunsthalle
● David Hockney: retrospective; to Oct 22

LONDON

CONCERTS
Queen Elizabeth Hall Tel: (0171) 928 8800
● Pascal Rogé: pianist plays Fauré, Satie, Ravel, Poulenc and Debussy; 3.30pm; Oct 22
● The Chinese New Tide: with soprano Judith Mok and baritone Shi Kelong. Tan Dun conducts e *programme of first generation* Chinese composers such as Qu Xiaosong and Chen Qigang; 7.45pm; Oct 22
Royal Festival Hall Tel: (0171) 928 8800
● Guitar Encounters: an evening of guitar, flamenco and Andean music with John Williams, Paco Pena and Inti-Illimani; 7.30pm; Oct 24
● The London Philharmonic: with mezzo-soprano Jennifer Larmore, bass José van Dam and the London Philharmonic Choir. Roger Norrington conducts Berlioz's "The Damnation of Faust"; 7.30pm; Oct 25
● The London Philharmonic: Gary Berkson conducts a selection of ballet classics; 7.30pm; Oct 27

GALLERIES
Barbican Tel: (0171) 638 8891
● Carrington: retrospective of works by artist Dora Carrington (1893-1932). The exhibition contains paintings, drawings, woodcuts and illuminated letters; to Dec 10
● The Art of African Textiles: comprehensive look at innovations in textile design across the continent; to Dec 10
Saatchi Tel: (0171) 624 8299
● Young British Artists V: works by Kerry Stewart, Glenn Brown, Keith Coventy and Hadrian Pigott; to Dec 30
Serpentine Tel: (0171) 402 0343
● Big City, Artists from Africa: sculptures, drawings, images and objects by contemporary artists from several African countries; to Nov 5

OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Carmen: by Bizet. Conducted by Sian Edwards/Michael Lloyd and directed by Jonathan Miller. Soloists include Louise Winter, Robert Brubaker and Janice Watson/Cathryn Pope; 7.30pm; Oct 21 (2pm), 26, 29

THEATRE
Donmar Warehouse Tel: (0171) 369 1732
● The Glass Menagerie: by Tennessee Williams, directed by Sam Mendes. Cast includes Zöe Wanamaker and Claire Skinner; 8pm; to Nov 5
Royal Court Tel: (0171) 730 1745/ 2554
● The Steward of Christendom: by Sebastian Barry, produced by Max Stafford-Clark. Cast includes Donal McCann; 7.30pm;

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion Tel: (213) 365 3500
● Los Angeles Philharmonic: with cellist Daniel Rothmuller. Franz Welser-Möst conducts Mozart's "Symphony No.31", Dvořák's "Symphony No.7" and Hindemith's "Cello Concerto". This concert marks the beginning of the Philharmonic's Hindemith centennial tribute; 8pm; Oct 21, 22 (2.30pm)
● Los Angeles Philharmonic: with violinist Joshua Bell. Franz Welser Möst conducts Hindemith, Sibelius and Shostakovich; 8pm; Oct 26, 27, 28 (2pm), 29 (2.30pm)

GALLERIES
County Museum Tel: (213) 857 6000
● Adrian, the Couture Years (1942-1952): premiere of a permanent collection featuring approximately 40 pieces by the costume designer Gilbert Adrian. This exhibition focuses on his post-Hollywood period of couture fashion; to Jan 7
● Frank Lloyd Wright and Japan: Japanese folding screens, textiles, sculpture, ceramics and prints collected by the architect; to Jan 7
Museum of Contemporary Art Tel: (213) 626 6222
● 1965-1975, Reconsidering the Object of Art: exploration into the development of contemporary art between 1965-75 and how the artistic community began to re-examine form, function and meaning; to Feb 4
● Cycles, Strategies, Dialogues: works created during the 1980's from the museums permanent collection that survey the decade of asethetic investigation; to Nov 12

MADRID

GALLERIES
Fundación Arte y Technologica Tel: (041) 522 6645
● Incorporeo: installation by Daniel Conogar; to Oct 29
Prado Tel: (91) 420 28 38
● Francisco Bayeu (1734-1795): 72 sketches by the 18th century artist who was responsible for many of the frescos in the Royal Palace of Madrid; to Oct 29
Reina Sofia Tel: (91) 468 30 02
● Benjamin Palencia (1919-1936): complete works by the Spanish artist. Highlights include the unknown aspects from the 1920's and 30's; to Jan 1
● Frank Stella: retrospective presenting 30 years of artistic activity by the abstract artist; to Jan 9

MANNHEIM

GALLERIES
Kunsthalle
● William Turner in Germany: exhibition with watercolours, drawings, graphics and oil paintings by Turner from his visits to Germany between 1817-1844; to Jan 14

MUNICH

GALLERIES
Haus der Kunst
● Impressionist Masterpieces: from the Barnes Collection. Artists include Matisse, Picasso, Van Gogh and Gaugin; to Oct 22
Kunsthalle der Hypo-Kulturstiftung
● Felix Vallotton: retrospective of the Swiss born Nabis group member; to Nov 5

OPERA/BALLET
Bayerische Staatsoper Tel: (089) 22 13 18
● Anna Bolena: by Donizetti. Conducted by Fabio Luisi and produced by Jonathan Miller; 7pm; Oct 30

NEW YORK

CONCERTS
Carnegie Hall Tel: (212) 247 7800
● BBC Symphony Orchestra: with violinist Nadja Salerno-Sonnenberg. Andrew Davis conducts Carter, Glazunov and Brahms; 8pm; Oct 25
● Maurizio Pollini: pianist plays an all Beethoven programme; 7.30pm; Oct 23
● Pittsburgh Symphony Orchestra: with flutist James Galway. Lorin Maazel conducts Gould, Mercandate, Maazel and Bartok; 8pm; Oct 27
● Pittsburgh Symphony Orchestra: concert performance of Wagner's "Tristian and Isolde" with conducted by Lorin Maazel. Soloists include Carol Yahr, Heinz Kruse amd Falk Struckmann; 8pm; Oct 28
● Symphony Orchestra of Montreal: with pianist Yefim Bronfman. Charles Dutoit conducts Berlioz's "Les Francs-Juges", Saint-Saens' "Piano Concerto No.2", Chausson's "Symphony in B Flat Major" and Ravel's "Spanish Rhapsody"; 8pm; Oct 21
● Symphony Orchestra of Montreal: with pianist Louis Lortie. Charles Dutoit conducts Berlioz's "King Lear, Overture", Beethoven's "Piano Concerto No.4", Martinau's "Symphony No.5" and Enesco's "Romanian Rhapsody"; 3pm; Oct 22

GALLERIES
Ellis Island Museum Tel: (212) 363 3200
● Ellis Island Collection: as a point of arrival for the many settlers in the US, this exhibition consists of photographs, clothes and other articles that have been collected over the centuries; to Jan 8
Guggenheim Tel: (212) 423 3500
● Claes Oldenburg: an anthology of works by one of the key figures of Pop art in the 1960's. This exhibition includes e new piece entitled "Shuttlecock"; to Jan 14
Guggenheim Soho Tel: (212) 423 3500
● Dieter Appelt: retrospective with more than 60 paintings and sculptures; to Nov 5
Metropolitan
● Goya: more than 350 paintings, drawings and prints in chronological order by the Spanish master Francisco de Goya y Lucientes; to Dec 31
● John Singleton Copley in America: portraitist of choice for affluent Bostonians and New Yorkers in the 18th century before leaving for England. Included are portraits of Samuel Adams, John Hancock and Paul Revere; to Jan 7
● Rembrandt/Not Rembrandt: 22 Rembrandt fakes are compared with 18 genuine articles; to Jan 7
● Swords into Ploughshares: influence of the military on civilian dress. The exhibition consists of 100 costumes from the Costume Institute; to Nov 26
Museum of Modern Art Tel: (212) 708 9480
● Alfred Stieglitz at Lake George: photographs from the 1920's and 1930's whilst at his family's summer home in Lake George, New York; to Jan 2
● Annette Messager: retrospective of the French artist consisting of books, photographs and installations that demonstrate how all things can represent objects of expression; to Jan 16
● Light Construction: exhibition revealing e new architecture of transparency and translucency through 34 recent projects by international architects and artists; to Jan 2
● Piet Mondrian: exhibition of 147 works on the 50th anniversary of the artist's death; to Jan 23
Whitney Museum
● Florence Stettheimer: paintings and theatre sets from 1920's New York; to Dec 5

THEATRE
Atlantic Tel: (212) 645 1242
● Dangerous Corner: by J.B Priestley. Directed by David Mamet; 8pm;

Cort Theatre Tel: (212) 239 6200
● The Heiress: by Henry James, stage adaptation by Ruth and Augustus Goetz and directed by Gerald Gutierrez. Cast includes Cherry Jones, Remak Ramsey, Frances Sternhagen and Michael Cumpsty; 8pm; (Not Mon)

PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: with pianist Andreas Haefliger. Claus-Peter Flor conducts Mozart and Bruckner; 8pm; Oct 21

GALLERIES
Centre Georges Pompidou Tel: (1) 42 77 12 33
● Feminine and Masculine: the sexuality of art. Exhibition exploring sexual identity and its effect on twentieth century artists; to Jan 8
● Hybert, Quardona and Roudenko-Bertin: running in conjunction with "Feminine and Masculine", three artists of different styles produce works that demonstrate the relationship between sex, the body and sexual differences; from Oct 25 to Jan 1
● Man Ray: recreation of the atmosphere of Ray's post world war two workshop where he produced various furniture. This exhibition consists of paintings, drawings and photographs from the workshop archives; to Jan 29
● Robert Morris: retrospective of the American Minimalist; to Oct 23
Centre National de la Photographie Tel: (1) 53 76 12 31
● Martin Parr: British photographer uses motorists and tourism for his inspiration; to Oct 30
Galerie Schmit Tel: (1) 42 60 36 36
● "La Femme": from Corot to Chagall. 60 paintings dating from 1824-1949 by artists such a Degas, Gaugin, Picasso and Renoir; from Oct 24 to Feb 28
Hôtel de Ville de Paris Tel: (1) 42 76 44 24
● Paris Through Cinema: historic relationship between Paris and the Cinema over the last 100 years; to Nov 4
Jeu de Paume Tel: (1) 47 03 12 50
● Jeff Wall: photographs by the Canadian artist; to Nov 26
Louvre Tel: (1) 42 60 39 26
● Ancient Gem Stones from the Orient: from 4000 B.C to 800 A.D.; to Dec 18
Musée d'Art Moderne, Ville de Paris Tel: (1) 47 23 61 27
● Arnold Schoenberg: exhibition on the composer with a related concert at the Châtalet on Nov 7th; to Dec 3
● Beauty and the Beast: a selection of young American artists; to Nov 19

STUTTGART

OPERA/BALLET
Staatstheater Tel: (0711) 2 03 20
● La Damnation de Faust: by Berlioz. Conducted by Gabriele Ferro and directed by Luciano Damiani. Soloists include Marilyn Schmiege, Keith Lewis and Ludwig Baumann; 7pm; Oct 29

VENICE

GALLERIES
Fondazione Giorgio Cini Tel: (041) 52 89 900
● Henry Moore Exhibition: 149 works by the late British artist; to Nov 26

WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● BBC Symphony Orchestra: with violinist Nadja Salerno-Sonnenberg. Andrew Davis conducts Delius, Glazunov, Carter and Bartók; 2pm; Oct 22
● Korean Chamber Ensemble: with violinist Young Uck Kim and director Min Kim plays Arensky, Paik, Mozart and Britten; 5pm; Oct 21
● National Symphony Orchestra: with pianist James Tocco. George Manahan conducts Debussy's "Iberia", Stravinsky's "Concerto for Piano and Wind Instruments" and Rachmaninoff's "Symphonic Dances"; 8.30pm; Oct 21, 24
● National Symphony Orchestra: Sir Neville Marriner conducts Bartók, Mozart, Nelson and Beethoven; 8.30pm; Oct 26, 27, 28
● Pittsburgh Symphony Orchestra: with violinist Hilary Hahn. Lorin Maazel conducts Mendelssohn and Bartók; 8pm; Oct 25
● Pittsburgh Symphony Orchestra: with pianist Hae-Jung Kim. Alexander Dmitriev conducts Tchaikovsky's "Piano Concerto" and "Symphony No.4"; 8.30pm; Oct 30

GALLERIES
Hirschhorn Museum Tel: (202) 357 2700
● *Directions*-Martin Kippenberger: works on paper. Approximately 50 satirical drawings on hotel stationery by the German artist along with some of his collages and drawings on paper; to Oct 22
National Gallery Tel: (202) 737 4215
● A Great Heritage: Renaissance and Baroque drawings from Chatsworth consisting of 105 works by artists such as Rembrandt, van Dyck and Raphael; to Dec 31
● Winslow Homer: more than 225 works including 86 oils by the American artist; 8pm; to Jan 28
● Secrets of the Dark Chamber: the art of the American daguerreotype. An exhibition of American photography produced brtween 1839 and 1860; to Oct 22

National Museum of Women in the Arts Tel: (202) 783 5000
● Artful Advocacy: cartoons from the Women Suffrage Movement. In celebration of the 75th anniversary of this movement, approximately 25 cartoons produced between 1912 and 1919 are featured. Artists include Nina Allender, Blanche Ames and Lou Rogers; to Jan 7
● Julia Margaret Cameron: the Mia album. 19th century photographs including portraits of Alfred Lord Tennyson and Sir John Herschel; to Oct 29

National Portrait
● Cecilia Beaux and the Art of Portraiture: turn of the century portrait painter; to Jan 28
Sackler Tel: (202) 357 2700
● Goyo: Japanese prints. 16 colour wood-blocks prints by Hashiguchi Goyo; to Mar 17

OPERA/BALLET
Kennedy Centre Tel: (202) 467 4600
● Suzanne Farrel Staged Balanchine: an evening of George Balanchine choreographed pieces performed by an ensemble of dancers from companies such as the Paris Ballet, the American Ballet Theatre and the New York City Ballet. The programme includes "Chaconne", "Slaughter on 10th Avenue" and "Tzigane"; 8pm; Oct 21, 22 (2pm)

THEATRE
Arena Stage Tel: (202) 488 3300
● Holiday Heart: by Cheryl L. West. A play about hope and redefining the family; to Nov 19
Ford's Theater Tel: (202) 347 4833
● Elmer Gantry: Michael Maggio directs this revival of the Pulitzer Prize winning novel by Sinclair Lewis with libretto by John Bishop and music by Mel Marvin; 7.30pm; to Oct 29
Kennedy Centre Tel: (202) 467 4600
● Master Class: by Terrance McNally. Zoe Caldwell stars as opera singer Maria Callas, reliving her triumphs and tragedies as she coaches a trio of young singers; to Oct 22
Shakespeare Tel: (202) 393 2700
● Macbeth: by William Shakespeare, directed by Joe Dowling; 7.30pm; to Oct 21.

CHESS

Four annual congresses have established the Isle of Man Open among the strongest and best organised events in the British Isles. Monarch Assurance, its sponsor, provides £8,000 in prizes which this week attracted an impressive entry from the UK, Europe and the US.

The winners – English grandmasters Hodgson, Miles and Sadler, e Russian and an Israeli – took home £700 each, the next group half a point behind a mere £30. Such steep gradients are typical in the UK, and discourage front runners from taking risks in the final rounds.

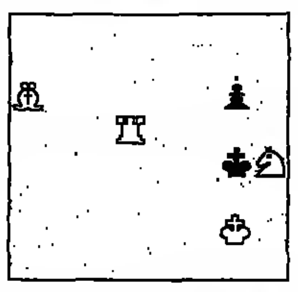
Continental opens often split ties and require outright winners, which may explain why our GMs performed badly in the final pressure games of the last two Intel Grand Prix qualifiers. A multiple tie is a smudged result, and I should like to see our main events insisting on resolving all shared first prizes by immediate speed-chess play-offs.

A final round miniature, where Black takes a poisoned central pawn and loses his queen (M Hebden, White; G Buckley, Black; Monarch Assurance Isle of Man Open, 1995).

1 e4 c5 2 Nf3 e6 3 c3 d5 4 e5 d4 5 Bb5+ Bd7 6 Bxd7+ Qxd7 7 c4 Nc6 8 d3 Nge7 9 Bf4 b6 This weakens key squares. Ng6 with Be7,0-0 and f5 is a sounder plan. 10 Nbd2 g5 11 Ne4 Bg7 12 Bg3 Qc7 13 0-0 Nxe5? 14 Nxe5 Bxe5 15 Nf6+ Kd8 16 Qf3 Ng6 17 Rae1 Kc8 18 Rxe5! Nxe5 19 Qe2 Ng6 Giving up the queen, but if Qc6 20 Bxe5 b6 21 Qh5 and Black soon loses material.20 Bxc7 Kxc7 21 f4 gxf4 22 Rxf4 Nxf4 23 Qe5+ Resigns.If Kc6 24 Ne4! wins quickly, or Kc8 24 Qxc5+ Kb8 25 Qxd6+ and 26 Qxf4 with a piece ahead.

No 1097

White mates in four moves, against any defence (by Sam Loyd, 1856). Loyd liked his puzzles to look easy, but with a



twist. Here the BK is surrounded, yet you will do well to solve this in half an hour.

Solution, Page XV

Leonard Barden

BRIDGE

Today's hand comes from team-of-four:

	N	
	♠ A J 4 ♥ K 6 3 ♦ J 7 4 2 ♣ A 6 3	
W ♠ 10 9 8 5 2 ♥ J 9 7 4 ♦ – ♣ J 9 8 2		**E** ♠ 7 3 ♥ Q 8 5 2 ♦ Q 10 9 6 ♣ 10 7 4
	S ♠ K Q 6 ♥ A 10 ♦ A K 8 5 3 ♣ K Q 5	

South dealt at game-all and opened with two no-trumps. North raised to six no-trumps. West led the spade ten and the declarer, winning in hand with the queen, cashed his diamond ace. West showed out and the contract was now unmakeable.

In the other room, after the same bidding and the same lead, the declarer looked more deeply into the position. With three tricks in each black suit and two hearts, he needed only four diamonds for contract. To make certain of getting them, he must employ a safety play.

Taking the spade with dummy's knave, he returned the diamond two. East produced the six and South played the eight. When this held, it was easy to concede a diamond and claim the slam.

Should East play his nine, South wins with king and leads back the three to knave and queen. Then he takes the club return in dummy, leads e diamond and finesses his eight. It is equally safe to win the spade lead in hand and lead the diamond three to knave and queen. East's ten and nine can be picked up by two finesses. But some safety play is essential.

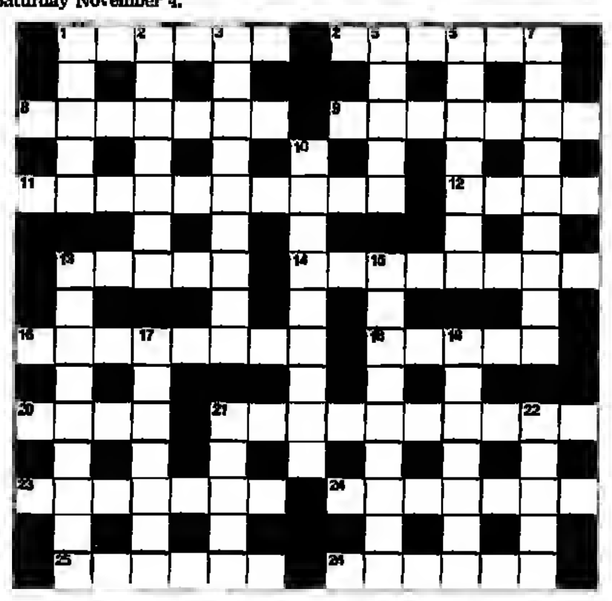
■ The excellent *Acol Bridge Diaries* are now available (Standard, £4.50, Luxury £8.75). The *Bridge Hands for All Seasons* are back, four of them by me. Apply to Juliet Burton, PO Box 662, High Wycombe, Bucks HP14 4YJ (tel: 01494-565309).

E.P.C. Cotter

CROSSWORD

No. 8,898 Set by DINMUTZ

A prize of a classic Pelikan Souverän 800 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers. Solutions by Wednesday November 1 marked Crossword 8,898 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Saturday November 4.

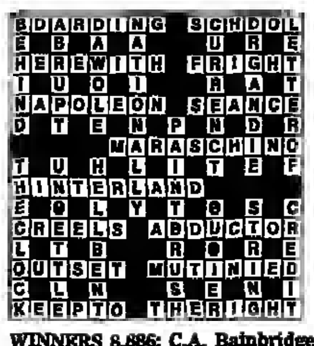


Name
Address

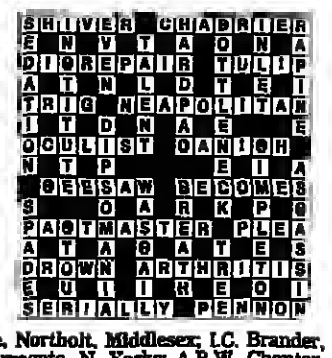
ACROSS
1 Source of oil in home counties, unvarying (6)
4 Embarrassed, perhaps, coming out of purdah (4-3)
8 Improvements at university, with passes (7)
9 Fifty-cent cuts as rough measures? (7)
11 Ne plus ultra? It's all changed for the nonpartisan (10)
12 Brewer's vehicle reverses into policemen (4)
13 One of the Cardigan Barkers, say? (5)
14 Maid once crazy for Laurel, for example (8)
16 Pop before mixed relays will make one stop dead (8)
18 State address (5)
20 Middling-loud tone (4)
21 Italy green all over is such a principle (10)
23 Policemen do not need to study in racing establishments (7)
24 Reprimands from favourites following coach (7)
25 Square earth, perhaps, to some extent (6)
26 Prize points given to returning huntsmen? (6)

DOWN
1 Unfinished meal for Franz, the composer (6)
2 Constitutional nature's changed (7)
3 Lying, refit a place (9)
5 A look over your paper in a higher place (5)
6 Deposit, in fact, is held back (7)
7 Yiliad, the book? (9)
10 Bad crimes against the worker, his? (9)
13 Kidney card (9)
15 Cases abandoned in America? (9)
17 In new bar-coat, find a tumbler (7)
19 Cuts in energy twice bring blackout (7)
21 Hookers are silly people (5)
22 Ritual object to convey much at first (5)

Solution 8,897



Solution 8,886



WINNERS 8,886: C.A. Bainbridge, Northolt, Middlesex; I.C. Brander, Cranbrook, Kent; J.D. Burns, Harrogate, N. Yorks; A.R.W. Chanter, Henley-on-Thames, Oxon; Mary Pickman, Lytham St Annes, Lancashire; Miss E.M. Scott, Edinburgh.

James Morgan

A wind by any other name blows as hard

Would hurricane Adolf do more damage? Could a Ryan lead his country?

In the old days hurricanes hardly happened and when they did were named after jolly sounding girls. Then deregulation and gender equality took over and we faced hurricane Hugo and such like.

Last week I read in the *Washington Post* that there are in fact strict rules on the naming of hurricanes. "They have to be chosen with dne consideration for ethnic and cultural sensitivities," said an official. "You could not have a hurricane named after Idi Amin."

That, like so much in the US, is code. What it means is: "You can't have hurricane Sambo."

Actually, hurricane ldi sounds perfect. So too does Adolf, Benito and Caligula. But the official has a good point: if hurricane Mohamed were to wipe ont half Florida, many would derive a peculiar satisfaction from such an event, but many others would not.

In this mother of all hurricane seasons, it is evident that the spirit of the great wind, or whoever is in charge of such matters, has not heen appeased by the naming authority's sensitivity. In fact, the decisive argument against my list of possible names is the evidence of history itself. Once hurricanes became male they also hecame more freqnent, damaging and costly. Naming a hurricane Adolf could well constitute excessive provocation as it strove to live up to its title.

Since things were better when hurricanes were female, one is driven to conclnde that their names should be restricted to those of 19th century heroines – Charlotte, Elizabeth, Lydia, Jane and such like. These would maximise femininity and graciousness. The official need not worry abont cultural and ethnic sensitivities, as the list is drawn from the one group in the US with no active ethnic lobby.

I am not sure whether such a move would challenge or confirm the unacknowledged modern convention that the name has to fit the job. This is so powerful that we need an explicit theory of nomenclature to explain it and the name explosion which is sucb a feature of our time.

The phenomenon has many roots. The free market has been a particularly important force, with its endless brands of car and soap which need baptising. But people get called the most amazing things in a deregulated society. You know you are in a traditional society when every second man is called Juan, Jan or Ion. The countries with the fewest grass-roots traditions are those most abundantly endowed with names.

Britain and the US lead in this field. Anything will do. Kent, for example, was once an only moderately silly name for a little boy. But in the US last week I saw a female television presenter called Kent. Darrynn succeeds Darren, and huge sections of the population end up sounding like brands of cheap shampoo. In old-fashioned societies, the name pool is smaller and everybody knows how to spell those names that are available.

But no matter how bizarre the variations, even in the most deregulated societies the name pool remains small for certain types of people. William, George, Ronald and John dominate the contemporary list of politicians, just as they dominate the memorials to those who died in the first world war. The wives and sisters of those heroes were always called Margaret. It is no wonder that John Major defeated Neil Kinnock in 1992.

If you are called Wayne or Gary, any success you enjoy will be confined to the sporting field. What this tends to confirm is the myth of deregulatton: people believe deregulation means fewer rules, in fact, it always leads to more. Thus in France or Italy one does not assess a man's social position by his name alone. In the US and Britain no credible leader could be called Ryan or Kevin. Similarly, people with back-to-front names, such as Warren Christopher, the secretary of state, and the lawyer Clark Clifford end up near, but not at, the top.

It is not only hurricanes who are given specific characteristics by their names. I discovered, leaving New York a week ago on an overbooked aeroplane, that I am a perfectly formulated bucket-shop, economy class passenger. The (Afro-American) lady at the check-in said: "At last, one man, one bag and a simple name." I got a seat.

■ *James Morgan is economics correspondent of the BBC World Service.*

In search of Poland's looted treasures

Negotiations for the return of the spoils of the second world war are proving tricky, reports **Christian Tyler**

Unfinished business: Wojciech Kowalski says the return of Polish treasure would not be a form of punishment of Germany

Fergus Wilkie

Probably no country – not even Russia – suffered so much in the second world war as Poland. About six million people, Jewish and non-Jewish, were killed out of a population of 35m. As much as half, it has been estimated, of all the country's cultural treasure was looted or deliberately destroyed.

Fifty years later, tbe dead bave been mourned and many of the buildings have been recoostructed. But negotiations for the return of the booty have scarcely begun.

National treasures have unquantifiable cultural value as well as a quantifiable commercial price. It is this which makes demands for their return so charged with passion – think of the Elgin Marbles.

In Poland's case feeling runs especially high. Not only was the country occupied by both German and Russian armies, but the plunder and destruction – such as the Wehrmacht's torching of the Kraczynski Library of historical manuscripts in Warsaw – was systematic. It was designed to wipe Polish culture from the pages of history.

Negotiations have been further complicated by the post-war change of borders which brought a slice of Germany into Poland and left a slice of Poland in the Soviet Union.

During the occupation, the Polish underground determined to seek full reparation: whole *galleries and libraries* in Germany were earmarked on a list which amounted to between 20 and 30 per cent of the occupying nation's cultural assets.

Some Polish treasures were repatriated immediately after the war, such as the monumental gothic altarpiece by Veit Stoss, which was returned to St Mary's Church in Krakow. Also recovered were two of the three Old Masters taken by *Hans Frank, governor of occupied* Poland, from the Czartoryski collection in Krakow. Frank had packed Leonardo's *Lady with the Ermine*, Rembrandt'a *Landscape with the Good Samaritan* and Raphael's *Portrait of a Young Man* in a hox, writtan "L.R.R." on the lid, and sent the haul to his villa in Bavaria. The Raphael is still missing.

Only after the fall of the Berlin Wall and German reunification could negotiations with the German government begin in earnest. At a meeting in 1992 tbe Poles secured tbeir first token: the return of a hoard of gold and silver coins and ancient jewellery stolen from the archaeological museum in Poznan. For the moment, negotiations seem stalled, but the Poles have an ace in their hand.

Few people know more about the difficulties of negotiating post-war restitution than Wojciech Kowalski. Until the change of government last year he was commissioner for Polish cultural heritage abroad, reporting directly to the prime minister.

He is a lawyer, born 45 years ago in the Upper Silesian town of Gliwica where, he explains

> Poland suffered – but it accidentally acquired property, too

with an ironical laugh, the war could be said to have begun. It was there in 1939 that a gang of Germans dressed in Polish uniforms attacked their own *radio station to give Hitler a* pretext for the invasion and occupation of Poland.

Kowalski's training in patent work and intellectual property rights is appropriate to the complicated task of assessing the intangible value of cultural artefacts. But he stresses that Poland is no longer seeking the kind of wholesale reparation envisaged during the conflict. It is seeking restitution of its possessions, where these can *be identified.*

"I never used the word 'reparation' during negotiations," he says. "And l don't think it will be, because it would be very difficult to find a legal basis for it. We don't see this as a form of punishment of Germany, especially of present Germany. We think that it should be a European kind of solution, in what is really a multicultural region of Europe."

Kowalski would like to see the Germans give help – though not financial help – with reconstruction. The problem is that most of the architectural restoration work has already been carried out. There are only a few places, such as the Uphagen House in Gdansk, to which missing interiors could be returned.

Although Poland is drawing up an inventory of objects lost, few have been tracked down. Because of Hitler's ideological decision to abolish Polish culture and turn Slavs into slaves, the Germans made no record of their Polish or Russian booty, whereas they were meticulous about their west European loot. Kowalski says that the Rothschild collection found by the Allies in Bavaria, for example, came back with a fuller catalogue than when lt left.

The most important cultural treasure in Germany that the Poles have identified, Kowalski says, is the "Pontificale", a 13th century liturgical manuscript from the library of the cathedral at Plock which ls now in the Bavarian state library.

A large proportion of the Nazis' Polish loot ended up in Russia (along with the Red Army's German loot, which included such items as Heinrich Schliemann's Trojan treasures). Some objects have been *returned, such as the bronze* memorial tablets taken from Poznan cathedral by the Nazis and found in the Hermitage museum, St Petersburg. But although Poland's 1992 treaty with Russia is said to provide a better legal basis for negotiation than the equivalent German treaty, information is hard to come by.

Poland suffered extraordinary cultural devastation, but it accidentally acquired prop*erty, too. Valuables found in* the former German territories, for example, were carted off to Warsaw for safekeeping. Local museums (now Polish) are damanding them back. "Of course, the Germans will always tell you we looted these territories," said Kowalski.

An incidental gain was the so-called Lyons Collection of Chopin material, stolen in France and proudly exhibited at the Jagiellonian Library in Krakow, which Hans Frank made his "capital". There it remains.

Another was Hermann Goering's collection of vintage aeroplanes, moved to the east to protect them from Allied bombing in 1941. By coincidence, the 23 aircraft are almost exactly the same in number as a destroyed Polish collection. They are unlikely to go back to Germany.

But the great prize – and Poland's most potent bargaining counter – is an almost priceless collection of 400 musical autograph scores now in the Jagiellonian library. The centrepiece of the former Prussian State library in Berlin, the collection inclndes Beethoven's Eighth and Ninth Symphonies, Act One of Mozart's *Cosi fan tutte*, Mendelssohn's *Midsummer Night's Dream* and examples of the work of every German-language composar of note from Telemann and J.S. Bach to Bruckner. The collection also contains early Italian opera scores and Goethe manoscripts.

The Berlin collection fell into Poland's lap because it, too, was removed by the Germans from Berlin for safety and stored in a monastery in the Krzeszów (formerly Grussau) area of the Sudeten mountains. For years, its whereabouts was kept a secret by the Polish communist government until, in 1977, one or two of the best items, including the two Beethoven scores, were presented to the East German leader Erich Honecker.

The collection would appear to be an archive of specifically German cultural heritage, but the Austrians have claimed it too, on the grounds that most of the music was actually writ*ten in Vienna. Poland, mean*while, has claimed legal ownership, but seems ready to trade. Kowalski says: "If you are the owner you can do what you want with these objects." And that includes giving them back.

Bot there are obstacles to a trade-off. One is Germany's understandable refusal to accept Poland's ownership. Another is the shortage of traceable Polish treasures to *ask for. A third is Polish* public opinion. "We didn't destroy, we didn't loot, and now we have to give aomething back?" says Kowalski. "How could yon explain that to people?"

This is very much the feeling at the Jagiellonian University itself. For one of the first acts of the occupying Nazis was to send its top professors to almost certain death in concentration camps in Germany.

An answer would be to encourage Germany to make a symbolic reparation, perhaps by building the university a new wing. "They could even call it the Collegium Germanicum," says Kowalski. Or they could rebuild the Museum of Silesia, completed in 1939 and immediately dismantled on the grounds that its architecture was "too Polish".

There is a further complication. Some cultural objects are *so important, it is argued,* that they transcend national boundaries. If the Berlin collection of musical manuscripts is to be included, the Poles may argue lt is immaterial where it is housed – especially in an age of cheap air travel – provided it is well looked after and made properly accessible.

In 1943 an Englishman wrote to the London Daily Telegraph suggesting that whole museums in Germany should be emptied and the contents distributed to nations ravaged by the Nazis as a permanent reminder that war does not pay. *Fifty years later,* the demand for vengeance has been muffled. Kowalski says: "It would not be correct. They have many such sights to remind them. We cannot fill the whole country with reminders."

For him lt is a question not of vengeance but of unfinished business. "We cannot change the place of Poland. We have our common border with Germany, and we both try to do our best. We can settle the old problems, but we cannot create new bones of contention. We are really thinking in terms of a united Europe."

Truth of the Matter / **Hugh Dickinson**

A punishment fit for society

Lika autumn crocusas, Lauranawda is the flavour of the month – tha brand name of a packet of breakfast fara served up to the Party Faithful and the rest of a sceptical nation via the media in October every year. It also pops up when criminals escape from prison or when some particularly horrendous crime or statistic hits the headlines.

Sadly, it has come to mean a blind gut-reaction which promises, but does not always deliver, more punitive, repressive and incoherent policies for treating criminals when they are caught.

The guts to which populist ministers deliver their calculated dose of curried venom are the already inflamed intestines of the most prejudiced, vengeful and frightened sections of the population. The inevitable result is a nasty smell or something worse.

Offering ever more vengeful, punitive and vindictive treatment of offenders is clearly intended to win the approval of this irrational constituency; it will not be long before the length of sentence will be decided not by the judiciary but by a tariff agreed by the Party Faithful who cheer tumultuously wheo someooe offers to bring back capital punishment.

The alternative is not to deliver criminals into the hands of tha soppy "Do Gooders" so derided by Judge Michael Argyle; it is to have a rational and widely agreed penal policy which balances the complex components of a just, effective and morally defensible way of treating crime and punishment.

Penal policy should not be allowed to be a party political matter – frankly, politicians are now clearly not to be trusted with such an important touchstone of a truly civilised society. What we do with criminals is a thermometer of our own moral condition. Not even to recognise that terrible truth argues a hardening of the moral arteries.

A rational, effective and morally defensible penal policy has to take into account and balance five determining strands. It must deter. It must be just – in the sense that the punishment must be what the crima deserves, no more and no less. It must address and if possible reform the individual criminal. It must be humane. It must protect society. If any one of those strands is neglected the rope will not hold.

It is quite clear that we have no pnblic forum in which the balancing of these strands and their relative importance can be debated and decided. Parliament has grossly failed us by making it a matter of public posturing. The evidence is never attended to.

There is ample evidence that certain forms of extreme punishment – like the electric chair – which are advocated as deterrents, do not in fact deter. That agonising death designedly satisfies the gut demand for vengeance of frightened and hateful people. Longer sentences do not deter. Douglas Hurd pointedly remarked that in most cases the effect of imprisoning young offenders was to make bad people worse.

If it could be shown that the policy of the young offenders unit near Gloucester effectively cut recidivism to 15 per cent (as opposed to 65 per cent) would that be an irrefutabla argument for it? You may remember it involved long trips abroad. And it was cheaper.

We might conclude that it was OK for juveniles but not for adnlts. But the strand of reform, or curing the criminal, cannot stand alone. Society and justice demand that, unless they are provenly sick, criminals must be treated as moral agents. Thare may be mitigating or compassionate circumstances in a particular case where the normative or just punishment becomes inhumane. But there must be a norm and it must normally be enforced. Getting the courts to agree on consistent sentences is a priority.

The exceptional proviso of mental sickness is a whole can of worms. Many of us have met very inadequate people, the product of traumatic childhoods and dreadful circumstances, whose criminal behaviour does seem to be the product of their environment. It may even be a result of their genes if recent research is confirmed. A high percentage of prisoners is on the borderline of mental illness. But even if society still needs to be protected from them, it is inhumane to treat them as if they were all members of the Kray gang.

It is inhumane to tighten the screws (without judicial sanction) on the rights of prisoners to see their families in such a way that a girl is not allowed to see her haby.

There are many features of our public life which make those who live in Middle England uneasy and even ashamed. The absence of a publicly agreed penal policy is certainly one of them.

■ *Hugh Dickinson is Dean of Salisbury*

هكذا من الأصل

هكذا من الأجيال

WEEKEND INVESTOR

■ Last week's preliminary results

Company	Sector	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Bridport-Gundry	Text	Jul	1,340	(753)	8.64	(6.16)	3.6	(3.0)
DFS Furniture Co	ReGn	Jul	26,200	(21,400)	16.57	(14.39)	8.3	(7.2)
ECU	InTr	Jun†	72.8	(67.0)	0.84	(0.75)	0.5	(0.5)
Ewart	Prop	Apr	1,150	(1,130)	4.34	(5.21)	1.1	(1.8)
Fidelity Special	InTr	Aug†	117.76	(-)	-	(-)	0.5	(-)
Fisher (Albert)	FdPr	Aug	39,500	(34,800)	2.9	(3.34)	3.75	(3.71)
Formscan	AIM	Jul	902	(483)	7.78	(3.98)	2.0	(-)
Gartmore Smaller	InTr	Aug†	289.7	(286.8)	5.74	(7.09)	5.75	(5.75)
Gleeson	B&C	Jun	8,450	(8,910)	52.66	(58.79)	15.0	(14.6)
Highland Dist	SW&C	Aug	42,900	(42,500)	22.1	(21.9)	7.9	(7.29)
IAWS Group ‡	FdPd	Jul	16,200	(12,800)	10.2	(8.7)	2.557	(2.415)
Paterson Zochonis	HseG	May	25,100	(28,100)	22.35	(36.6)	15.0	(13.65)
River & Merc Extra	InTr	Sept†	108.79	(97.74)	9.13	(8.4)	7.875	(7.875)
Town Centre Secs	Prop	Jun	9,310	(8,810)	6.38	(5.4)	3.25	(3.64)
Wescol	Eng	Jul	785	(260)	2.0	(1.0)	0.75	(0.25)

■ Last week's interim results

Company	Sector	Half year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Aminex	OilE	Jun⌽	350 L	(790)	-	(-)
Airflow Streamlines	EngV	Aug	2,960	(915)	3.0	(2.0)
Automated Security ⁂	SpSv	Aug	1,250	(2,590)	-	(-)
BDA Holdings	Prop	Jul	65 L	(545 L)	-	(-)
Beradin Hldgs	FdPd	Jun	388	(204)	-	(-)
Berry Birch & Noble	OtFn	Jul	48 L	(380)	-	(1.8)
Bisichi Mining	Extl	Jun	55	(193)	-	(-)
Blockleys	BdMa	Jun	211 L	(122)	-	(0.4)
Body Shop Intl	ReGn	Aug	9,100	(12,300)	1.08	(0.9)
Boot (Henry)	B&C	Jun	2,710	(2,570)	1.95	(1.85)
Brancote	AIM	Jun	107 L	(38 L)	-	(-)
Carlisle Group	Prop	Jun	3,500 L	(1,000)	-	(0.25)
Cathay Intl	Prop	Jun	2,390	(1,570)	-	(-)
Chesterfield Props	Prop	Jun	3,720	(4,910)	4.4	(4.4)
Elan	Phrm	Sept‡	24,000	(19,600)	-	(-)
El Oro	OtFn	Jun	1,240	(786)	-	(-)
English Nat Defd	InTr	Sept†	327.2	(284.8)	2.95	(2.95)
English Nat Pref	InTr	Sept†	402.2	(359.8)	5.4	(5.4)
Exploration Co	OtFn	Jun	1,270	(1,040)	-	(-)
Farnell Electronics	Dist	Jul	71,300	(28,700)	4.6	(3.6)
Ferguson Intl	PP&P	Aug	5,630	(6,010)	4.5	(4.5)
Gartmore Br Inc ©	InTr	Sept†	93.2	(75.4)	1.95	(1.82)
Geared Income	InTr	Sept†	86.33	(98.89)	1.75	(1.75)
Havelock Europa	B&C	Jun	2,050	(1,560)	1.2	(1.0)
Hewitt	BdMa	Jun	365	(2,340 L)	-	(-)
Hoare Govett 1000	InTr	Sept†	102.71	(90.14)	0.75	(-)
Hoare Govett Smlr	InTr	Sept†	138.04	(126.56)	1.0	(1.0)
Kenmare Resources	ExIn	Jun	26 L	(3 L)	-	(-)
LAIT	n/a	Jun	803	(865)	0.05	(0.05)
London Smaller	InTr	Sept†	106.3	(98.1)	0.78#	(0.78)
Newport ♥	Prop	Jun	39	(25)	-	(-)
Olives Prop	Prop	Jun	339	(224)	-	(-)
Omnimedia	AIM	Jun	279 L	(421 L)	-	(-)
Padang Senang	FdPd	Jun	233	(67)	-	(-)
Personal Assets	InTr	Oct†	-	(-)	110.0	(100.0)
R&M Geared	InTr	Sept†	36.12	(33.28)	1.463	(1.4)
Ramco Energy	OilE	Jun	610	(81)	-	(-)
Rhino	ReGn	Jun	6,880 L	(1,570 L)	-	(-)
Shirescot	n/a	Sept	159.5	(144.7)	1.25	(1.21)
Shoprite	Prf	Jul	395 L	(687 L)	-	(-)
Singapore Para	FdPd	Jun	343	(146)	-	(-)
Stanford Rook	AIM	Jun	273 L	(-)	-	(-)
Tie Rack ★	ReGn	Aug	490	(407)	0.5	(-)
Waste Management ©	OtSv	Sep	111,800	(125,400)	-	(-)

(Figures in parentheses are for the corresponding period.) * Dividends are shown net pence per share, except where otherwise indicated. L=loss. † Net asset value per share. ‡ Irish punts and pence. ⁂ 3-month figures. ⌽ US dollars and cents. ♥ Comparatives for 3 months to Jun 30 1994. © 9-month figures. ⧫ 10-month figures. ★ 28-week figures. # Special of 0.33p also declared.

■ Results due next week

Company	Sector	Anncmnt due	Dividend (p)* Last year Interim	Final	This year Interim
FINAL DIVIDENDS					
Abtrust High Inc Tst	InTr	Tuesday	1.5	-	1.6
Edinburgh Dragon Tst	InTr	Monday	-	-	-
Eurovein	Eng	Thursday	-	-	0.51
Fleming Inc & Cap	InTr	Monday	2.1	-	1.2
Kleinwort Second	InTr	Monday	-	-	-
London & St Lawrence	InTr	Tuesday	3.12	3.12	-
MY Holdings	PP&P	Monday			
Majedie Investments	InTr	Thursday	2.0	3.25	2.0
McKechnie	Eng	Tuesday	5.0	9.75	5.5
Morgan Grenfell Equity	InTr	Thursday	2.0	2.8	2.20
Murray Enterprise	InTr	Friday	0.7	1.4	0.75
Overseas Inv Tst	InTr	Thursday	0.85	2.45	0.90
Pressac Hldgs	E&EE	Thursday	-	-	-
Schroder Inc Growth	InTr	Thursday	-	2.25	-
Scottish Metro	Prop	Tuesday	-	-	-
Smiths Industries	Eng	Wednesday	4.6	8.4	5.05
UDO Holdings	OtSv	Wednesday	2.22	5.78	2.52
Wolseley	BdMa	Tuesday	4.72	12.0	2.95
INTERIM DIVIDENDS					
Boxmore Intl	PP&P	Tuesday	1.375	3.105	-
Davenport Knitwear	n/a	Monday	-	9.8	-
Dunnyat Inv Tst	InTr	Monday	-	-	-
Edinburgh IT	InTr	Tuesday	3.05	6.3	-
Expamet Intl	Eng	Friday	-	-	-
Fairbriar	B&C	Monday	-	-	-
ICI ★	Chem	Thursday	10.5	17.0	-
Kleinwort Emerging Mkts	InTr	Thursday	-	-	-
Kleinwort Endowment	InTr	Monday	-	-	-
Midland & Scot. Resources	OilE	Friday	-	-	-
Ocean Wilson Hldgs	Tran	Tuesday	1.0	3.25	-
Ross Group	Dist	Monday	-	0.2	-
Scot. Oriental Smaller	InTr	Thursday	-	-	-
Seafield	Tran	Friday	-	-	-
Shiloh	Text	Wednesday	1.0	2.75	-
Silk Industries	Text	Tuesday	-	-	-
Venturi Inv Tst	InTr	Tuesday	1.65	2.34	-
Westbury	B&C	Thursday	1.9	3.85	-
Yorklyde	Text	Tuesday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. ‡‡ 1st quarterly. ⧫ 2nd quarterly. ★ 3rd quarterly

Bids

Statoil, the Norwegian state oil group, this week won control of Aran Energy, an Irish oil exploration and productinn company, after trumping a hostile takeover bid by Atlantic Richfield (Arco) of the US.

Duhlin-based Aran recommended Statoil's 77.7p-a-share offer on Thursday, shortly after Arco refused to increase its 69.4p bid. Statoil also offered holders of Aran's American depository shares $36.66 apiece, against Arco's revised offer of $32.84.

Arco and Statoil were attracted to Aran by its share in Schiehallion, one of the UK's largest unexploited oil fields. The US gronp withdrew after deciding a higher offer would contradict a pledge – when it said the worst outcome would be to "pay too mnch" for Aran's assets.

■ Current takeover bids and mergers

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Allkins ‡	110*	109	92	3.70	Coats Viyella
Aran Energy	77.7	76	76	203.00	Statoil
Beckman	60*	59	40	7.20	Directors
Boddington	412	402	356	518.00	Greenalls
Chiltern Radio‡	318	357	300	21.10	GWR
Copymore	214*	208	170	23.50	Alco Standard
Country Casuals	140*	139	139½	26.80	Ciro
Dobson Park	118*	125	113	172.00	Harnischfeger
Eastern ‡	975*	974	700	2500.00	Hanson
Fine Decor	172*	168	175	21.50	IntWallcoverings
Fisons	265*	263½	193	1800.00	Rhone-Poulenc
Manweb ‡	1019	1021	730	1100.00	Scottish Power
Midlands Electric	£10 ⁂	971	938½	1950.00	PowerGen
NORWEB	1105	1133	975	1723.00	North West Water
SWEB⁂ ‡	966*	900	912	1072.11	Sthn.Elec.Intl.
Scantronic	10.54	10	10	10.50	Menvier Swain
Southern Electric	1010	966	897	2900.00	National Power
TSB	352½ §	372	350	13.60bn	Lloyds
Taunton Cider	237	236	217½	271.00	Matthew Clark
Vistec	17½	19	18	22.00	Lynx

Prices in pence unless otherwise indicated. *All cash offer. §For capital not already held. §§Shares and cash. ⁂ Value of ‡ Unconditional. **Based on lunchtime prices 20/10/95 §Value of bid per share includes 68.3p bid per share includes £2 special dividend. special dividend.

Directors' dealings

Buying at British Bloodstock shows considerable commitment from the directors, *writes Vivien MacDonald of The Inside Trock.* Dealing in smaller companies with several major shareholders can be difficult because stock is hard to locate, but private investors often benefit in such situations because the institutions cannot secure stakes large enough for their purposes.

□ Peter Black Holdings, a consumer goods and furnishing accessory company, announced final results at the beginning of September. These showed a fall in profits of about 24 per cent, from £12.4m to £9.4m. Two directors were selling during the week. Thomas Black, joint chairman, sold 4m shares in association with some family trusts. Chief executive Richard Leivers sold 100,000 almost half his holding. Black will be retiring as chairman soon altbongh be will remain on the board in a non-executive capacity.

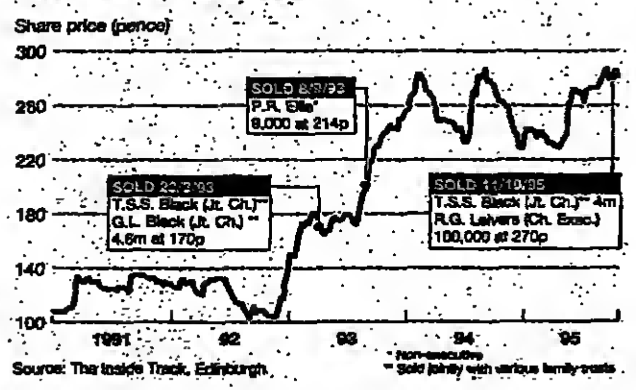
□ The selling by John Alleyne, managing director of St James Beach Hotels, is the first significant transaction by a director since the leisure company arrived on the market. The group operates three luxury hotels on the west coast of Barbados and its share price has outperformed by a small margin since coming to the market. Alleyne retains just over 28,000 shares.

■ Directors' share transactions in their own companies

Company	Sector	Shares	Value £000	No of directors
SALES				
Border Television	Mdla	17,000	55	2
City Centre Rest	L&Hl	50,000	47	1
First Technology	Eng	8,147	45	1
Forward Tech	Elec	45,000	39	1
Hamleys Group	RetG	16,584	50	1
London Electricity	Elec	2,000	17	1
London Scottish Bnk	OthF	90,000	144	1
More O'Ferrall	Mdla	5,000	24	1
Peter Black Hldgs	HGod	500,000	11,070	2
Regent Inns plc	Brew	33,000	198	4
Rolfe & Nolan	SSer	100,000	286	2
Ropner	Divl	24,640	37	1
Severfield	BCon	100,000	125	1
Southern Vectis	Uncl	100,000	43	1
St James Beach Htls	L&Hl	250,000	350	1
Standard Platforms	SSer	408,748	69	1
Stanley Leisure	L&Hl	4,500	17	1
T & N	Eng	13,604	24	1
Time Products	Dist	8,400	17	1
Unipalm	SSer	178,500	741	2
Yule Catto & Co	Chem	60,000	202	1
Bowthorpe	Elec	249,858	1,064	2*
Cadbury Schweppes	FdPr	20,306	110	1*
Cattles (Hldgs)	OthF	315,139	608	2*
Clyde Petroleum	Oil	36,383	19	1*
PURCHASES				
Aspen Comms	PP&P	10,000	17	1
Barbour Index	Mdla	50,000	123	1
Barlows	Prop	31,808	14	1
Bourne End Props	Prop	30,000	15	2
Bradstock Group	Insu	25,000	13	1
Brit Bloodstock Agy	Misc	55,000	42	1
Hill & Smith	Eng	30,000	35	1
Hopkinsons	Eng	54,650	16	2
Monument Oil	Oil	100,000	61	1
Oceana Consolidated	OthF	103,731	109	3
P & O	Tran	100,000	482	1
Thorn EMI	L&Hl	2,990	42	4
United Carriers	Tran	20,000	16	4

Companies must notify the Stock Exchange within five working days of a share transaction by a director. This list contains all transactions (listed and USM), including exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange October 9-13 1995. Shares traded are ordinary.
Source: The Inside Track, Edinburgh, 0131-538 7070

Peter Black Holdings



Source: The Inside Track, Edinburgh. * non-executive ** Sold jointly with various family trusts

New issues

Burford Holdings, a property investment company, this week announced plans to demerge the Trocadero, the entertainment complex in central London, *writes Christopher Price.* The move is part of its plans for overall development of the complex.

These include creating a virtual reality theme park in a joint venture with Sega, the Japanese electronic games company. The demerged company also will own the neighbouring London Pavilion building, which Burford acquired for £13.4m in July.

The Trocadero, at Piccadilly Circus in the heart of London, cost Burford £96m in September 1994.

It was valued at £115m last month by independent accountants.

Under the proposals, shareholders will be given one share in a new Trocadero company for every Burford share held. Burford will retain a 29.5 per cent stake in the demerged company.

The property group will receive £70m cash from the demerger and will extend a £24.5m subordinated loan to the new company.

Burford intends to use the cash to expand its property interests.

Trocadero shares would trade on the new Alternative Investment Market. Analysts say the market valuation for the new group could reach £150m.

■ Rights issues

Rhino Group is to raise £9m via a 5-6 issue of 117m shares @ 8p each

■ Offers for sale, placings & introductions

Premium Underwriting is to raise £6.6m via a placing of 5.28m shares at 125p

In the Pink

Why Hong Kong's future is written in the mooncakes

It is time to ditch financial assets in the British colony, says a pessimistic **David Roche**, who spells out the risks

David Roche is president of Independent Strategy, a global investment research consultancy

Get out of Hong Kong's financial assets. Why do I say that? Let me tell you the story of the mooncake.

It looks like a varnished, rectangular meat pie (but with a difference: mooncakes are delicious). Heavy rice dough is pressed into a wooden mould, so the outside of the mooncake has a sculptured motif. The inside is filled with paste (lotus seed or red bean) with the "moon" set in the paste as a tiny, salted egg yoke.

Hong Kong has the best mooncake bakery in the business. This year, it decided to mount a nationwide publicity campaign to sell its products everywbere. It made a big map of China into a poster with a simple logo: "We make the best mooncakes in the world." Off went the posters to be plastered all over the mainland.

The next day, management got a call from the top echelon of the Xinhua news agency (Beijing's unofficial embassy) in Hong Kong. No, it did not want to order mooncakes. It wanted to know why the company had omitted Taiwan from the map. Did it not know Taiwan was part of China?

The next day, the posters disappeared and the campaign was dropped. It is a chilling pointer to Hong Kong's future.

A cowed Hong Kong (and foreign) business community might go nn saying that things are fine. But they are not.

My pessimistic view is a minority one. That is because there are several reasons to be optimistic about Hong Kong, and the first is bullishness about China. It is the biggest development story in the world and Hong Kong acts as a conduit for 60 per cent or more of its foreign direct investment and nearly 45 per cent of its exports. China cannot do without Hong Kong so Hong Kong will do well, goes the argument.

That leads to the second reason: loads of rich Chinese companies and elite individuals will rush to Hong Kong to buy property and pretty things for their pampered offspring.

> The present Hang Seng level is fair value for investors, with nominal interest rates at 8 per cent and profit growth at 10 to 12 per cent annually

Third, if interest rates in the United States go down as tha econmmy there slows, then the Hong Kong market will go up.

The question is: *will* US rates fall? Real output might have slowed but sales vnlumes are trotting along at a similar pace to last year. Demand for cars is 10 per cent up, the corporate sector is making a higher return on equity than in the late 1980s, and profits have almost doubled their share of GDP. Exports continue to boom and capacity ntilisation is at a near-record high. This suggests that the present growth rate, of 10 to 15 per cent, in corporate investment will continue.

The American consumer is doing nicely, too. Real disposable income is rising 3.3 per cent year on year and nominal retail spending is up by 5 to 6 per cent. So, I expect output to rise to meet demand by early next year.

Moreover, the world will have higher growth by this time next year because of synchronised central bank easing this year in the US, Japan and Germany. That means global interest rates will be higher next year than they are now.

Will Chinese money pour into Hong Kong after 1997? I think that most of the hot, privileged money that wanted to move there has arrived already – and the reason is that Hong Kong is not part of China. When it is, the hot money from the mainland will move on to safer climes because the anti-corruption drive in the People's Republic is not going to go away. That makes it risky to keep bot money in Hong Kong.

Business will still get done, of course, and investors will continue to invest – but at what price? The exchange rate is considerably over-valued; that is wby manufacturing output is down to nearly 10 per cent of GDP and the trade deficit is going through the floor.

Hong Kong must now compete as a service economy, but it is just too expensive and major companies are leaving for Singapore. In Central's luxury galleries on Hong Kong Island, closed shops stand like gaps in rows of teeth. A lot of retail business is in terminal decline because no one can pay the rents.

For now, the trade deficit is being covered by capital inflows; we foreigners bave been much more optimistic than the locals. But if capital exits when people begin to realise what the Beijing takeover means, the Hong Kong dollar will come under serious pressure. The authorities will have to choose: either break the peg with the US dollar or jack np interest rates to defend it.

That brings me to interest rates. Many East Asian tigers are not nice in democratic terms but they are good places in which to invest. That argument could apply to Hong Kong after 1997.

In that case, though, Hong Kong should have Indonesian-style interest rates. After all, it has Indonesian-style inflation. How can a city in China continue to have nominal US interest rates but an inflation rate four to five times that of the US?

Hong Kong's real interest rates normally are negative in real terms but they have gone positive recently. My guess is that they will reach 5 to 6 per cent in real terms by 1997 – and that could be serinusly optimistic if there is capital flight.

The present Hang Seng level is fair value fnr investors, with nominal interest rates at 6 per cent and profit growth at 10 to 12 per cent annually. But if nominal rates rise to 14-18 per cent (5-6 per cent in real terms), then the Hang Seng looks fair value only at 3,000-7,000 compared with nearly 10,000 now. And profit growth could be even lower than 10-12 per cent in a market dominated by property and banks.

Remember the mooncakes. They are particular favourites at Hong Kong's moon festival held in the middle of the Chinese autumn, when the moon is fullest.

During the festival, it is traditional to try to chase the moon back up to the sky so that time will stand still. But time is running out for Hong Kong, and moon-chasing may not work.

Weekend Investor

Wall Street

Default: could the impossible happen?

Maggie Urry watches the budget battle between the White House and Congress

Could the biggest borrower in the world default on its debts? Listen to the politicians in Washingtoo and you might think that the United States is about to do just that. And while the stock market can usually manage to ignore politicians, for the oext few weeks they will be thrust into investors' faces as battle rages over the budget deficit.

The unthinkable – as Robert Rubin, the US Treasury secretary, calls a possible default – is threateoed because the government is only $5bn away from breaching its debt ceiling. It is oot allowed to borrow more than $4.9 trillion. If the ceiling is not raised soon, there will be a crunch.

October is a bad mooth for governmeot finances, as more money goes out than comes in. On Tuesday, the Treasury announced a $6bo cut in the size of next week's Treasury bill auction in an effort to postpone the evil day, and Rubin has some other ideas for saving a few billioo. But even if the Treasury does manage to struggle through to November, it faces a huge challenge on November 15 when $25bn of interest paymeots on existing debts are due.

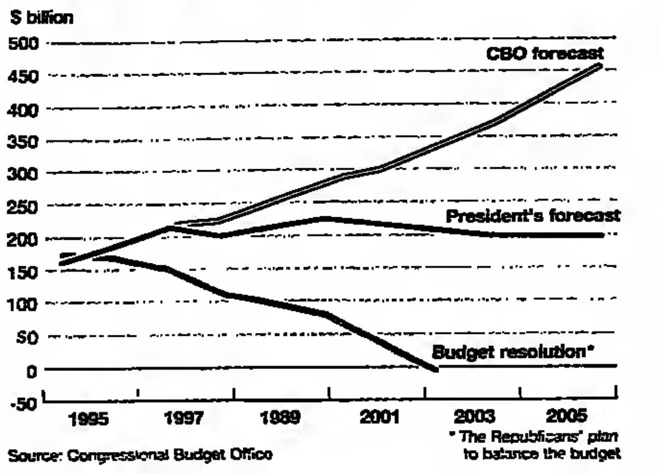
If it cannot make those payments, the bonds - backed by the "full faith and credit" of the US Treasury - will be in default. Rubin warned the nation in a Thursday night television interview, that if the US government broke its faith with investors it would raise its cost of borrowing for 20 years to come. And that would increase borrowing costs for the private sector too, from mortgages to corporate debt.

No one really expects the ceiling to be breached. A last minute deal will be done to raise it and all will be calm. But, before that happens, we can expect a great deal of brinkmanship, with the debt ceiling being used as a counter in the politicians' fight over the budget deficit.

Politicians do not seem to care, or perbaps understand, bow the financial markets will take the wrangling. Darwin Beck, economist at CS First Boston, expects "a great deal of volatility over coming weeks".

Equally, the foreign investors who hold around a quarter of the US Treasury's debt may not realise that politicians' threats of triggering a default will just be posturing. They are likely to become increasingly oervous, unsettling the bond and curreocy markets and, in turn, the equity market.

Whither the budget deficit?



Source: Congressional Budget Office

* The Republicans' plan to balance the budget

Bood yields are low. The yield on the 30-year bond, which bas fallen to 6.3 per cent although it was backing up yesterday, is not far above the cost of overnight money as set by the Federal Reserve at 5.75 per cent. Bond yields bave fallen to levels last seen when the Fed's rate was 3 per cent. That means the market could be particularly vulnerable if investors unnerved by the headlines decide to take some profits.

The real issue, though, is the future course of the budget deficit. It is a fight which began the day the Republican party swept into power in the Coogress in November last year. With a Democrat president trying to get re-elected next year, and Republican leaders already elbowing each other for their party's nomination, the politics are complex.

Equally convoluted are the finances of the budget. This year's deficit is forecast at $161bn. The non-partisan Congressional Budget Office estimates that, on present spending policies, the deficit will rise to $462bn in 10 years' time.

The Republican party's plan is to balance the budget by the year 2002, and it enshrined that aim in a budget resolution passed in the summer. Meanwhile, the president has countered with a proposal which he reckons would balance the budget over 10 years, not seven. But the CBO using different economic assumptions, calculates that the president's plan would barely cut the deficit, as the chart shows.

Part of the strength in the stock market this year has come from a growing hope that the Republicans' balanced budget can be achieved – or, at least, that the deficit will be substantially lower than it would otherwise bave been. For, if it can be balanced, the coosequences for stocks are positive, not least because the Republicans bave promised a $245bn tax cut over the next seven years. That would include a cut in capital gains tax, which would be especially good news for investors.

Before the tax cuts can come, though, the politicians bave to agree on spending cuts. Naturally the Republicans are proposing mucb larger cuts in welfare and bealtb spending than the president. On Thursday, the House of Representatives, where speaker Newt Gingrich is perhaps the most hawkish of the Republican leaders on the deficit, passed a bill cutting spending on Medicare, the bealtb service for the elderly, by $270bn over seven years. The Senate is expected to pass a similar bill.

Clinton's immediate response was that be would veto the legislation. That sets the stage for an almighty bust-up over the budget, with at least some Republicans using a refusal to raise the debt ceiling as a threat. It all adds up to a tumultuous few weeks for Wall Street.

Dow Jones Ind Average

Monday	4,784.38	-9.40
Tuesday	4,795.94	+11.56
Wednesday	4,777.52	-18.42
Thursday	4,802.45	+24.93
Friday		

London

A heady taste of the high life

Philip Coggan looks back on a week of records

The balloons were inflated, the firework display litup the sky and the party poppers were popping. The FT-SE 100 Index and the Dow Jones Industrial Average both reached all-time highs this week.

It has beeo a good year for investors. By Wednesday night, with Footsie closing at 3,593.0, anyone who had bought an index fund at the start of 1995 was sitting on a 17.2 per cent gain (assuming that the manager's charges and the dividend yield roughly cancel each other out). The stock market had managed to climb the "wall of worry" which seems to be the inevitable concomitant of a healthy rally.

But by the eod of the week, the champagne was starting to go a bit flat. The anniversary of the 1987 Crash – October 19 or Black Mooday – came and weot on Thursday with only a 14 point fall in the leading index. But yesterday, Footsie beat a hasty retreat, falling nearly 37 points at one stage before closing 27.2 points lower at 3,551.4.

At every party, someone has to worry whether the drink is about to run out and whether the neighbours are going to telephone the police to complain about the ooise. It is the sober duty of this column to play the role of party pooper.

For a start, the latest rally has been driveo by bid speculation. Takeovers help the market in three ways: by driving up the price of bid targets, by causing investors to search for potential victims and by (in the case of cash bids) releasing liquidity into institutional coffers which can be reinvested.

For much of the year, the utilities sector has provided plenty of deals to keep the speculative fever alive. But this week, the market has been stronger on takeover rumours than on actual deals.

After last week's merger between Lloyds Bank and TSB, insurance companies and fund management groups joined banks as the centre of attention. As yet, oone of the favoured candidates, such as Royal Bank of Scotland, has been subject to attack.

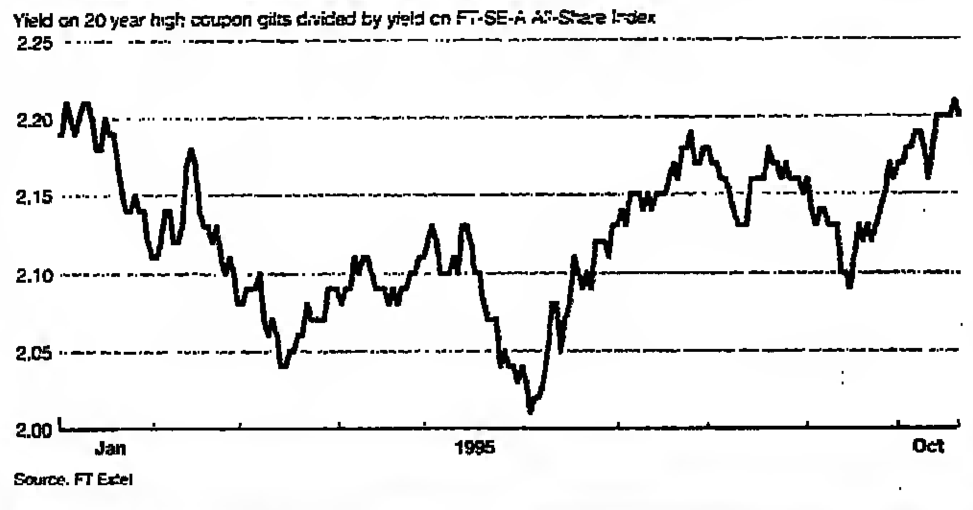
The concentration on takeovers also means that the rally has become narrowly based. On Wednesday, only 130 stocks reached new highs for 1995; back in May 300-400 stocks were regularly recording their best levels of the year. Richard Jeffrey, group economist at Charterhouse, says that "over the last four weeks, the financials and consumer goods sectors have been up, while everything else has been down."

In terms of valuations, the market also looks stretched. On Wednesday, the yield on the FT-A All-Share Index fell to a 1995 low of 3.79 per cent. Past columns have shown that buying the market when the yield is less than 4 per cent has not been a good policy in the past. Furthermore, since gilts have not participated in the rally (they have yet to recover from the failure of the last auction), the yield ratio edged up to 2.21, its highest level of the year.

Celebrations seemed in order but then the market started to fall

Equities look dearer relative to gilts

Yield on 20 year high coupon gilts divided by yield on FT-SE-A All-Share Index



Source: FT Extel

Wall Street also remains a worry, although it is only fair to point out that US bears have been repeatedly disappointed this year. Nevertheless, one cannot view the historically low US dividend yield and the high price-to-book ratio, combined with the lack of a 10 per cent correction in the last five years, without some measure of disquiet.

On the UK corporate front, the four week average of the dividend index, this column's indicator of corporate sentiment, fell to 43.1 per cent this week, its lowest level so far. Admittedly, we have reached the tail end of the results season and few significant companies are reporting, but the trend is not encouraging.

This week's statistics gave a distinctly mixed picture of the strength of the UK economy. From the point of view of ordinary folk, the best news was the 27,000 monthly drop in unemployment, which took the jobless total to its lowest level in four years. The markets looked less benignly on the figures, however, on the grounds that such signs of economic strength make a cut in interest rates less likely.

In contrast, the official statistics on retail sales show scant evidence of economic strength on the High Street. The volume of sales was unchanged between August and September and was actually 0.4 per cent lower, on a seasonally adjusted basis, than its level in September 1994.

It is hardly surprising that consumers are keeping their wallets closed, since the annual rise in underlying average earnings is stuck at 3.25 per cent. That is less than the headline rate of inflation (3.9 per cent in September), and consumers have also had to face tax increases this year.

The consumer sector is so weak, in fact, that there may be some economic justification for tax cuts in the forthcoming Budget. The problem is that public sector borrowing continues to race away – £3.7bn in September and £20.4bn in the first six months of the financial year. Economists are now looking for £30bn in the full year, compared with the Treasury's original forecast of £21.5bn (since revised to £23.6bn).

Tax cuts could be offset by reductions in public spending but that is a lot easier to propose than to achieve in practice. Kenneth Clarke, the chancellor, could also attempt to square the circle by offsetting personal sector tax cuts with corporate sector tax increases – another potential worry for the market.

But since the market did reach a record high this week, it is only fair to end with the comments of a bull. "If you are pessimistic, you could say this is a speculative bubble which will fall apart" says Charterhouse's Richard Jeffrey. "But I think these market levels will be validated as traders start to take a more optimistic view abont the prospects for economic growth in 1996."

Jeffrey thinks that the UK's gross domestic product will grow by 3.3 per cent next year and be is expecting Footsie to end 1995 at 3,800.

Highlights of the week

	Price y'day	Change on week	1995 High	1995 Low	
FT-SE 100 Index	3551.4	-16.6	3593.0	2954.2	Profit-taking
FT-SE Mid 250 Index	3939.5	-5.8	3991.3	3300.9	Profit-taking
Argos	511	+20	515½	324	General investment buying
Argyll Group	324	-22	369	254½	Stronger sector competition
ASDA Group	96½	-6½	111	64½	Stronger sector competition
Bluebird Toys	364	+103	381	202	New contract
Body Shop	128	-14	194	107	Lower than expected figures
Dorling Kindersley	538	+38	538	295	Positive presentation
GRE	243	+16	252	160½	Bid talk
Guinness	501	-14	536	404	Warburg downgrade
Microvitec	52	+9½	53¾	30½	£20m deal
Northern Elect	865	+47	989½	621¾	National Grid dividend hope
Smith (WH)	387	+19	484	321	Positive agm
Trafalgar House	22	-5	76	18½	Profits warning
Tring Intl	52	-52	128	52	Profits warning

Barry Riley

Bursting the technobubble

Technology is hot now – but the boom carries seeds of bust

The City of London's investment community is worried: in swallowing the emerging markets story again this year but ignoring the technology story, it appears to have made a big mistake. Only a dramatic bursting of the technology bubble, as opposed to the recent mild sell-off, would cure the woes of British professional investors.

Those exotic emerging markets are dull although, admittedly, there has been some recovery after a poor first quarter. But the IFC Composite index is down 10 per cent this year. In contrast, investors in the United States largely have ignored these wilder fringes of the global investment scene and have bought heavily into their own internal emerging market, in technology stocks.

The new Morgan Stanley Tech-35 index, stitched together hastily to catch this particular boom, rose 62 per cent between January 1 and September 20 although the recent burst of profit-taking has trimmed the gain to a more modest 40 per cent or so.

Technology has fuelled the continuing boom in US mutual fund sales, with $76bn net being poured into equity funds in the first eight months. The more aggressive funds have a third of their portfolios in technology stocks. As for the UK, the best-performing unit trust over both one year and five years is now Prolific Technology.

But is there really such a thing as a technology sector? In Europe, hardly. You will search for one in vain in the FT-SE Actuaries tables.

If it exists, it is very much a phenomenon of the US, a land of fads and fashions which believes that its restless and iconoclastic approach to business – the more so, the further westwards you go – is now giving it a crucial advantage over the slow-moving and backward-looking Europeans.

Certainly, there is not much of a technology story in the London stock market. A few fashionable minnows have soared to the top of the performance charts (and some, like Tadpole Technology, have tumbled again) but major sectors like media, electronics and telecommunications are only middling to poor in terms of their performance rankings in 1995.

According to Michael Bourne, a City fund manager now launching Finsbury Technology Trust, a fear of technology runs through London (not to mention Edinburgh). Professional investors hate putting money into something they do not understand.

But technology-based companies, begging the question of exactly how you define them, now account for perhaps 20 per cent of the US stock market. So, British investors largely have shunned Wall Street and, to the extent that they have retained small portfolios there, they have underperformed the indices.

Yet, technology is a powerful economic force, even if you do not gamble on particular companies with techno-babble names like Globotron Meganet (if there *is* such a company somewhere in California, I apologise). You can argue, for instance, that the extraordinary strength of the retail banking and life assurance sectors in the UK stock market this year – up nearly 40 per cent – is due to technology as much as takeover bids, which are only the means whereby productivity gains can be implemented.

> Professional investors hate putting money into something they do not understand

Suddenly, these are great sectors in which to invest (but very dangerous for people to be employed in, except as systems engineers).

Throughout the economy, technology is being used to raise productivity and de-skill the bulk of the work force, factors which help to explain why UK company earnings per share have risen by 75 per cent over the past three years while average employee earnings have increased by only 11 per cent. None of this is new but it is happening faster than before, certainly in the services sector.

Structural upheavals also are taking place. Look at the way in which British Sky Broadcasting has, in the space of a few years, come from oowhere to be a company worth £6.7bn, not far short of 1 per cent of the whole UK market capitalisation. But BSkyB is not a high technology company itself – it simply *exploits* technology, which is creating enormous entrepreneurial opportunities.

At the same time, technology is an important factor behind the appearance of large surpluses of industrial and commercial property, leaving the construction industry in a desperate state. Upstart BSkyB is already worth more than Blne Circle, Redland, Pilkington, George Wimpey and Taylor Woodrow combined.

This year's boom can be attributed largely to the acceleration in personal computer development stimulated by the acceleration of Intel's product cycle in microprocessors and the introduction of Microsoft's Windows 95 operating system, revealed this week to have sold 7m copies by the end of September, giving a new boost to technology stocks. Ripples are spreading throughout the electronics industry, for instance generating freak profits in commodity products such as standard memory chips.

But this boom clearly cootains the seeds of the next bust, as enormous capacity is installed to meet demand which seems insatiable but, at some moment not too far away, will prove not to be. Before that happens, the technology expert's challenge is to move oo to another, quite different cycle within the loosely-defined sector: in biotechnology, say, or telecommunications.

Technology stocks rarely have been long-term investments: RCA, a high-tech Wall Street hot stock of its day, rose from $10 in 1926 to $114 in 1929 but was at $2.50 three years later. Each breakthrough destroys its predecessors, but the benefits can still be felt elsewhere in the economy.

So, think technology but buy financial services stocks – not including, though, those UK fund management houses where the investment strategists are waiting anxiously for some action in Thailand or Taiwan.

Offshore managed funds and **UK managed funds** are listed in Section One

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Money Market Bank Accounts

MANAGEMENT SERVICES

Money Market Trust Funds

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Init Chrge | Notes | Selling Price | Buying Price | + or - | Yield Gr's

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414101 — Jersey 01534 71696
Private Clients 0800 414181 — 00 352 250404220
From O'seas (44) 1732 777377 — Hong Kong (852) 848 1000

Prices for dealing October 20

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1295 Hamilton, Bermuda — 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Investment Mgmt Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mangt (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mgrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Lazard Freres Asset Management (CI) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey — 01481 723021

Intl Currencies Fd Ltd

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey — 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey — 01481 710851

GUERNSEY (REGULATED)(**)

Selling Price | Buying Price | + or - | Yield Gross

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd
AB International Fund Ltd

Bachmann Global Investment Fund Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

The Fiduciary Trust Global Fund

GT Asset Management (Ireland) Ltd
(44) 171 710 4567 London — (852) 842 7200 Hong Kong

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Capital Vision Fund Plc

Chemical Ireland Fund Administrators Ltd

Citi Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mgrs

Mercury Fund Managers IoM Ltd
12-14 Hill Street, Douglas IoM — 01624 662255

Quilter Intl Mngt (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mgrs

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

JERSEY (REGULATED)(**)

Barclays Intl Funds

John Govett Management (Jersey) Ltd

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

Den norske Bank
2 boulevard Royal, Lux — 00 352 4590 3271

Dolphin Intl Investments (u) SICAV

Fidelity Funds (u)

Fleming Group (u)

Jupiter Tyndall Global Fund

Mercury Asset Management S.A.

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (a)

Alliance Capital

Bank Ferrier Lullin (Lux) SA

Banque Paribas (Luxembourg) S.A.

هكذا من الأصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Credis Investment Funds

Merrill Lynch Asset Management - Contd.

Albany International Assurance Ltd

Royal Life International - Contd.

Chameleon Funds Limited

Global Asset Management - Contd.

Malaysia Capital Fund Ltd

Republic Funds

Sun Alliance International Life

PO Box 77, Les Echelons Ct, St Peter Port, Guernsey 01481 714108

Sun Life International (IOM) Ltd

Bridge House, Castletown, Isle of Man

Tel: 44 (0) 1624 825000 Fax: 44 (0) 1624 825910

OTHER OFFSHORE FUNDS

	Selling Price	Buying Price	+ or -	Yield Gross
ATSP Management Ltd				
Philippines Long Term Equity				
NAV Sep 30		$35 93	–	–
AXA Asset Management				
Abtrust Fund Mngrs (Guernsey) Ltd				
The New Asia Fund Ltd				
NAV US$ (Diluted) Oct 18		$12.06	–	–
NAV US$ (undiluted) Oct 18		$12.48	–	–
Acciones y Valores de Mexico SA de CV				
Accival Oct 19		Pesos49.51	+0.30	1.67
Adig Investment				
Aetna Malaysian Growth Fd (Cayman) Ltd				
NAV Oct 13		$15.18	–	–
Africa Emerging Markets Fund				
NAV Sep 30		$10.46020	–	–
Alliance Capital				
Allied Dunbar International Fund Mngrs (1000)F				

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Oct 20 / US$) (4 pm close)

[illegible]

CANADA (Oct 20 / Can. $) (4 pm close)

[illegible]

EUROPE

AUSTRIA (Oct 20 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Oct 20 / Frs.)

[illegible]

DENMARK (Oct 20 / Kr)

[illegible]

FINLAND (Oct 20 / Mka)

[illegible]

FRANCE (Oct 20 / Frs.)

[illegible]

GERMANY (Oct 20 / Dm.)

[illegible]

ITALY (Oct 20 / Lira)

[illegible]

NETHERLANDS (Oct 20 / Fls.)

[illegible]

NORWAY (Oct 20 / Kroner)

[illegible]

SPAIN (Oct 20 / Pts.)

[illegible]

SWEDEN (Oct 20 / Kronor)

[illegible]

SWITZERLAND (Oct 20 / Frs.)

[illegible]

AFRICA

SOUTH AFRICA (Oct 20 / Rand)

[illegible]

PACIFIC

JAPAN (Oct 20 / Yen)

[illegible]

AUSTRALIA (Oct 20 / Aus$)

[illegible]

HONG KONG (Oct 20 / H.K.$)

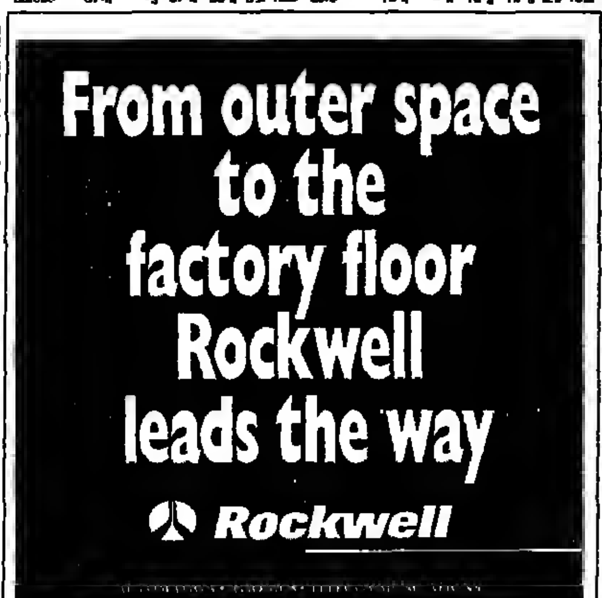
[illegible]

MALAYSIA (Oct 20 / MYR)

[illegible]

SINGAPORE (Oct 20 / S$)

[illegible]



INDICES

	Oct 20	Oct 19	Oct 18	1995 High		1995 Low	
Argentina							
General (29/12/77)	(u)	13050.46	13807.85	18031.10	2/1	9631.88	9/3
Australia							
All Ordinaries(1/1/80)	2106.8	2111.9	2111.4	2168.80	18/9	1823.30	8/2
All Mining(1/1/80)	950.3	953.7	960.5	1029.50	7/8	795.20	8/2
Austria							
Credit Aktien(30/12/84)	331.95	336.64	335.90	385.42	2/1	331.95	20/10
Traded Index(2/1/91)	895.71	916.08	913.31	1058.31	9/1	895.71	20/10
Belgium							
BEL20 (1/1/91)	1420.02	1418.96	1422.61	1481.39	2/8	1271.93	9/3
Brazil							
Bovespa (29/12/83)	(u)	45850.0	46017.0	48812.00	19/9	4531.80	8/9
Canada							
Metals Minls♦(1975)	(u)	4577.96	4574.68	5252.77	21/8	3806.68	1/3
Composite♦ (1975)	(u)	4475.50	4498.90	4710.30	12/7	3984.41	30/1
Portfolio§§ (4/1/83)	(c)	2180.89	2182.05	2307.81	12/7	1983.36	30/1
Chile							
IGPA Gen♥(31/12/80)	(u)	5884.0	5913.1	6363.10	11/7	4576.90	9/3
Denmark							
CopenhagenSE(3/1/83)	360.19	361.37	361.08	376.44	25/8	330.01	29/3
Finland							
HEX General(28/12/90)	1970.01	2015.08	2098.72	2332.22	14/9	1556.30	29/3
France							
SBF 250 (31/12/90)	1169.05	1182.44	1190.99	1322.30	12/5	1154.41	13/3
CAC 40(31/12/87)	1740.72	1757.30	1770.66	2017.27	12/5	1721.80	13/3
Germany							
FAZ Aktien(31/12/58)	792.99	794.70	794.39	846.75	19/9	708.87	30/3
Commerzbank(1/12/53)	2290.2	2293.00	2291.30	2427.08	19/9	2018.70	30/3
DAX (30/12/87)‡	2170.49	2179.60	2194.81	2317.01	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	937.88	938.26	941.55	992.59	4/8	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	9995.24	9981.81	9973.70	10032.83	17/10	6967.93	23/1
India							
BSE Sens.♥(1979)	3514.42	3540.37	3567.45	3932.09	9/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	500.44	501.82	499.48	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2138.77	2145.93	2142.42	2170.73	15/9	1813.59	23/1
Italy							
Banca Comm Ital (1972)	570.87	586.22	586.40	680.54	10/2	570.87	20/10
MIB General (2/1/95)	902.0	929.0	927.0	1076.00	10/2	902.00	20/10
Japan							
Nikkei 225 (16/5/49)	18157.33	17955.36	17835.97	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	271.32	269.13	267.14	288.19	4/1	222.28	13/6
Topix (4/1/68)	1445.73	1434.27	1424.95	1583.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1893.23	1894.43	1884.37	2130.68	4/1	1441.50	13/6
Malaysia							
KLSE Comp.(4/4/86)	959.23	944.81	946.72	1085.04	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2351.57	2332.44	2622.21	8/9	1447.82	27/2
Netherland							
CBS TtlRtnGen(End 83)	494.8	496.3	498.1	511.50	19/9	422.90	23/3
CBS All Shr (End 83)	298.9	300.8	301.9	311.70	15/9	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2206.02	2203.42	2195.44	2206.02	20/10	1901.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1262.09	1276.36	1292.16	1292.16	18/10	1038.00	10/3
Philippines							
Manila Comp (2/1/85)	2601.36	2613.51	2633.10	2958.12	10/7	2248.39	27/3
Portugal							
BTA (1977)	3605.3	3608.8	2606.3	2911.80	9/1	2580.70	25/9
Singapore							
SES All-S'pore(2/4/75)	512.97	510.03	512.72	535.86	5/1	472.80	23/1
South Africa							
JSE Gold (28/9/78)	1335.5♥	1360.1	1382.3	2023.00	2/1	1317.20	19/5
JSE Indl. (28/9/78)	7483.8♥	7511.6	7517.0	7517.00	18/10	6222.00	31/1
South Korea							
KoreaCmpEx(4/1/80)**	994.93	1000.23	1006.70	1027.37	2/1	847.08	27/5
Spain							
Madrid SE (30/12/85)	298.38	300.26	301.40	310.50	13/9	203.30	26/6
Sweden							
AffarsvardnGen (1/2/37)	1770.8	1786.8	1806.5	1872.10	19/9	1439.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1429.95	1433.05	1437.69	1437.69	18/10	1174.83	13/3
SBC General (1/4/87)	1074.56	1076.22	1079.62	1079.82	19/10	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	4953.56	4941.42	5033.07	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1282.51	1297.81	1298.43	1472.04	10/7	1135.69	16/3
Turkey							
Istanbul Cmp.(Jan 1986)	49029.6	49003.1	49117.9	54852.98	21/4	24644.31	23/1
WORLD							
MS Capital Int (1/1/70)§	702.8*	701.4	698.7	703.80	29/9	596.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1380.47	1399.54	1412.52	1480.69	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1261.81	1270.69	1280.72	1318.68	15/9	1117.34	9/3
JCapelDrgns (31/12/88)	(c)	334.25	334.84	349.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	146.89	146.91	147.23	158.97	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Oct	1770.0	1747.0	−16.5	1776.0	1740.0	20,876	26,028
Nov	1779.0	1756.0	−16.5	1783.0	1753.0	1,727	6,577
■ DAX							
Dec	2187.0	2157.0	−32.0	2197.5	2148.0	27,525	-
Mar	2211.0	2177.5	−28.5	2215.0	2174.5	39	-
■ OMX							
Oct	1412.00	1401.00	−13.00	1415.00	1395.25	5,372	11,821
Nov	1420.00	1410.75	−14.00	1425.00	1405.00	1,389	5,376
■ SOFFEX							
Oct	3124.6	3133.6	+4.7	3136.0	3120.0	3,291	6,236
Nov	3130.0	3119.0	−17.0	3140.0	3117.5	5,986	11,651

** Sat Oct 14: Taiwan Weighted Price 5015.61; Korea Comp Ex 1015.77. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 20 - 2148.12 -27.97.

US INDICES

Dow Jones	Oct 19	Oct 18	Oct 17	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4802.45	4777.52	4795.84	4802.45 (19/10)	3832.08 (30/1)	4802.45 (19/10/95)	41.22 (2/7/32)
Home Bonds	103.89	103.92	104.03	104.04 (16/10)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1916.17	1930.62	1935.89	2000.39 (18/9)	1473.19 (3/1)	2000.39 (18/9/95)	12.32 (8/7/32)
Utilities	217.24	215.66	214.74	217.44 (10/10)	180.03 (3/1)	256.45 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4830.27 (4837.49) Low 4744.28 (4747.53) (Theoretical♠)
Day's high 4802.45 (4810.76) Low 4770.29 (4771.38) (Actual♠)

Standard and Poors	Oct 19	Oct 18	Oct 17	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	590.65	587.44	586.78	590.65 (19/10)	459.11 (3/1)	590.65 (19/10/95)	4.40 (1/6/32)
Industrials♥	691.54	686.87	686.77	691.54 (19/10)	548.28 (3/1)	691.54 (19/10/95)	3.62 (21/6/32)
Financial	60.94	61.39	61.34	61.39 (18/10)	41.64 (3/1)	61.39 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	315.39	314.29	314.10	315.39 (19/10)	250.73 (3/1)	315.39 (19/10/95)	4.46 (25/4/42)
Amex Mkt Val	534.11	535.16	536.77	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1046.97	1045.37†	1035.44	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Oct 13	Oct 5	Sep 29	Year ago
Dow Jones Ind. Div. Yield	2.42	2.43	2.42	2.71
	Oct 11	Oct 4	Sep 27	Year ago
S & P Ind. Div. yield	2.09	2.08	2.07	2.43
S & P Ind. P/E ratio	17.74	17.87	17.94	20.33

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Gen Inst	15,264,400	20	-7¼
Nokia	13,132,200	58⅞	-9
Motorola	7,126,800	65⅜	-2⅝
Micron	5,716,800	72⅞	+⅛
Citicorp	5,165,300	67½	-1⅛
Comp Ass	5,070,400	48⅝	+3⅜
K-Mart	4,985,900	10⅛	-⅛
Wal-Mart	4,748,400	22⅞	+⅛
IBM	4,677,700	98¼	+2
Scntfic Atl	4,465,500	12	-1⅛

■ TRADING ACTIVITY

● Volume (million)	Oct 19	Oct 18	Oct 17
New York SE	406.620	411.280	352.945
Amex	19.465	23.748	18.017
NASDAQ	494.415	569.894	457.210
NYSE			
Issues Traded	3,059	3,044	3,045
Rises	1,078	1,153	1,087
Falls	1,191	1,068	1,104
Unchanged	790	823	854
New Highs	148	212	159
New Lows	49	37	46

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Dec	593.90	592.55	−1.40	594.35	591.95	68,528	189,771
Mar	598.40	597.30	−1.50	598.40	597.05	775	9,499

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Dec	18010.0	18200.0	+40.0	18260.0	18000.0	19,371	156,667
Mar	18080.0	18240.0	+80.0	18240.0	18080.0	165	4,560

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

FT FREE ANNUAL REPORTS SERVICE

هكذا من الأصل

WORLD STOCK MARKETS

AMERICA

Outlook for rates leaves Dow lower

Wall Street

Speculation that interest rates would remain steady throughout November sent share prices lower, *writes Lisa Bransten in New York.*

With most of the reporting season now over traders turned attention back to monetary policy. Particularly important was a speech delivered late on Thursday by Mr Alan Greenspan, chairman of the Federal Reserve, who said that the central bank must not be lulled into a sense that inflation was permanently under control.

That led to speculation that the Fed was not likely to cut interest rates at the November 15 meeting of its Open Market Committee, sending bond prices sharply lower.

Weakness on the bond market and in the technology sector combined to put an end to the rally which began late on Thursday.

At 1 pm the Nasdaq composite was 3.21 points lower at 1,043.76 and the Pacific stock exchange technology index was 0.7 per cent lower.

Several technology companies continued to be hurt by reporting only as-expected earnings rather than presenting investors with stronger than expected profits growth.

Silicon Graphics, the US software company, slid 10 per cent or $3⅝ at $32¼ after reporting on Thursday that net income was up 29 per cent in the first fiscal quarter. The company's earnings of 33 cents a share were in line with estimates.

The Dow Jones Industrial Average was off 0.72 at 4,801.73. The more broadly traded Standard & Poor's 500 was off 1.52 at 589.13, while the American Stock Exchange composite was 1.56 lower at 532.55.

Volume on the NYSE was very heavy for the second consecutive session as traders unwound positions in connection with the afternoon expiration of options and futures on share indices. By 1 pm 218m shares had changed hands.

Amgen, a US biotech company, slipped 9 per cent or $4½ at $45¼ after a disappointing earnings report. Analysts at two broking houses, JP Morgan and Brown Brothers Harriman, lowered their ratings.

Canada

Toronto was weak in midday trade on continuing worries about the outcome of Quebec's separatism referendum, and a falling bond market. The TSE-300 Composite index was down 27.89 by noon at 4,447.60 in volume of 34.2m shares.

The banking sector was weak. Bank of Montreal fell C$½ to C$29⅝ and Toronto-Dominion Bank fell C$¼ to C$23⅛.

Some high technology issues were also marked down. Northern Telecom lost C$1¼ to C$44¼ and Leitch Technology, tha electronics equipment maker, fell C$1¼ to C$23¾.

Czar Resources traded flat at C$1.54 after news that Gulf Canada Resources had decided not to proceed any further with its takeover.

Latin America

Early trade saw MEXICO CITY firmer in thin early trade on speculative buying ahead of third quarter earnings reports due next week. The IPC index was up 0.56 at 2,352.13 by midday. Volume was 9.8m shares.

Export companies were active on news that the preliminary September trade surplus was $904m, a much larger figure than had been than expected.

SAO PAULO was slightly firmer by midsession in a technical correction to recent falls. The Bovespa index was up 359 at 46,209.

Amsterdam hopes for a dose of excitement

Trading has been lacklustre, says **Ronald van de Krol**

Traders on the Amsterdam stock exchange may well heave a collective sigh of relief on Monday. It is then that trading starts in shares allotted to investors who participated in the second tranche of Koninklijke PTT Nederland (KPN), the telecommunications and postal group.

They will be gratified, not because the government is more than Fl 5bn ($3bn) richer, but because the market can finally swing its attention back to other issues, possibly helping to bring some life back to what has been lacklustre trading on the bourse.

At best, however, the exchange can expect only a very modest increase in the months ahead, analysts forecast. Many resort to the word "sideways" to describe how they expect prices to develop between now and the end of the year. This means that careful stock-picking is the best strategy for the rest of 1995.

For KPN, the end to the government's sale offer is unlikely to bring any immediate significant upturn in its share price.

The stock has underperformed the overall market by nearly 20 per cent since it became clear in March that the government was considering pulling the issue forward to the autumn, from a previously planned 1996 or 1997. Before March, the shares had achieved a 17 per cent outperformance since the first tranche of shares was floated at Fl 49.75 in June 1994.

In recent weeks, the shares have stagnated closing yesterday at Fl 55.00, and this is the yardstick which will be used by underwriters when they announce the final offer price on Sunday night or Monday morning.

With sentiment cooling towards European telecom stocks in general, the outlook for KPN shares is quite modest in the short term, unless foreign demand for the second tranche proves to be heavier than forecast.

The market as a whole is facing a similar period of unexciting growth. The consensus forecast for end-1995 puts the AEX index at 460 points, barely higher than yesterday's 454.85 finish, a week's loss of 1.4 per cent.

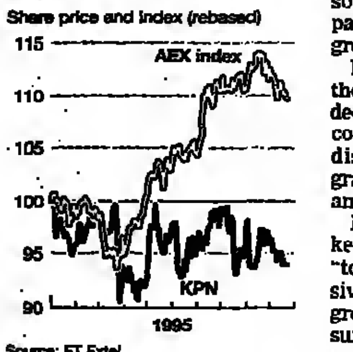
One of the few factors which could inject an element of excitement, however, is the impending start of the third-quarter reporting season.

Among the first companies to issue results, on Thursday, will be Philips, the electronics group. Its shares soared well above Fl 80.00 in July from Fl 65.60 in late June, before settling back to close yesterday at Fl 68.00.

Analysts expect a rise of some 30 per cent in the quarter, compared with the same strong quarter a year ago. But this may not necessarily translate into a higher share price.

KPN

Share price and index (rebased)



Source: FT Extel

"The price of Philips depends partly on sentiment in the US for high-technology stocks," says Mr Herman van Everdingen, analyst at Kempen & Co in Amsterdam.

Nevertheless, Philips appears on the "favourite stock lists" of many domestic brokerages. Other recommended stocks cited by brokers – such as Hagemeyer, the international trading house, Ahold, the Dutch supermarket group, and KBB, the stores group – also tend to have a consumer focus of some kind.

Ahold's shares hit a 12-month high of Fl 61.60 a month ago and have held up well since then, even though the market has fallen. The stock closed yesterday at Fl 60.20.

Mostly absent from the recommended lists are cyclicals, since the peak of the business cycle is now thought to have passed for paper, chemical and other commodity producers.

The cyclical sector's prospects were not helped by Nedlloyd, the transport group. In early October, the company's warning of a substantial fall in its ordinary 1995 profits surprised the market.

The shares, which dropped 15 per cent to Fl 46.60 on the day of the warning, before sinking to below Fl 40.00 the next day, have now recovered some of those losses, closing yesterday at Fl 42.10.

One exception in cyclicals, according to Mr Frank Hoogendijk, an analyst at MeesPierson, is KNP BT, the paper, packaging and distribution group.

Despite its involvement in the production of paper, now deemed beyond its peak, the company is also strong in the distribution of paper and graphic equipment, making it an attractive "late cyclical".

Mr Hoogendijk said his brokerage's recommendation was "to focus on the more defensive stocks and to search out growth shares in the more consumer-orientated sectors, with an eye to benefiting from a recovery in consumer spending in 1996." Besides individual retail stocks, this also includes the big publishers such as Elsevier and VNU.

With the bourse now expected to show little more growth for the rest of 1995, attention has turned to next year. Kempen & Co is expecting earnings per share at Dutch companies to grow by 12.4 per cent in 1996.

At the same time, there should be a continuing underlying demand from domestic investors, while foreign investors are showing increasing signs of being attracted to guilder paper because of the currency's strength.

"On a 12-month view, the index should be able to move in the direction of the 500-point level," says Mr van Everdingen.

EUROPE

Traders take cover in Italian political crisis

A rapidly deteriorating political situation left MILAN tumbling as Mr Silvio Berlusconi and the centre right parties turned up the temperature, demanding a no-confidence vote in Mr Lamberto Dini's government and threatening strong opposition to the budget proposals.

The Comit index fell 17.35, or 3 per cent, to 570.87, down 5 per cent on the week, while the real-time Mibtel index lost 224, or 2.4 per cent, to 9,077.

One Milan analyst said: "The political situation has deteriorated significantly as the day has progressed. The prospect of an early general election is looking much greater."

Another said: "The traders are sitting here with their helmets on." He added that an early general election, before agreement could be reached on the 1996 budget, made the outlook very uncertain. Speculation that the Bank of Italy might soon raise interest rates, to defend the lira, compounded the downbeat mood. "The picture is becoming very clear, and it is very dark," he said.

The telecommunications sector, formerly a favourite with foreign investors, was among the hardest hit. Telecom Italia fell L98 to L2,277, Stet was L155 lower at L4,390 and Tim lost L65 to L2,498.

FT-SE Actuaries Share Indices

Oct 20 — THE EUROPEAN SERIES

Hourly changes	Open	11.30	12.00	12.30	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1395.74	1394.57	1394.27	1394.33	1393.16	1388.93	1380.29	1380.47
FT-SE Eurotrack 200	1517.87	1515.86	1514.84	1514.38	1513.05	1509.40	1502.01	1500.58

	Oct 19	Oct 18	Oct 17	Oct 16	Oct 13
FT-SE Eurotrack 100	1399.54	1412.52	1406.73	1419.59	1421.48
FT-SE Eurotrack 200	1516.67	1531.34	1525.02	1522.47	1531.58

Base 1000 (26/10/90) Highday: 100 - 1395.86; 200 - 1518.43 Lowday: 100 - 1379.82 200 - 1499.78 † Partial

FRANKFURT traders, initially nervous because of the expiry of DTB futures and options contracts, took cover after the dollar fell through DM1.40. The Dax index fell 27.97 to an Ibis-indicated 2,148.12, down 2.6 per cent on the week.

Turnover, inflated by the DTB expiries, rose from DM4.7bn to DM7.2bn. A selection of front line cyclicals was marked down, including Preussag, off DM12.40 at DM403.60, Volkswagen, DM8.80 at DM439.50, and BASF, DM5.50 at DM309 although, said Ms Barbara Altmann at B Metzler in Frankfurt, an intrinsic lack of volume meant that a trade of 300 shares took BASF as low as DM300 at one stage of the day.

Here and there, defensive stocks lived up to their name. Merck, the pharmaceuticals group, started trading at DM56.80 against an issue price of DM54. Dresdner Bank saw net purchases from retail accounts and the shares had only eased to DM56.45 at the end of the day.

PARIS continued to fall back on currency weakness and the CAC-40 index dropped another 16.58 to 1,740.72, a week's loss of 4 per cent. Chartists pointed to the fact that the next support line was to be found at the 1,720 level.

Corporate activity abounded and there was considerable trade in Générale des Eaux as investors anticipated a set of disappointing interims. The shares settled down FFr15.10 at FFr411.80 and, after the close, the company reported a first half profit of FFr224m, against FFr1.3bn in the same period last year.

GAN went against the trend, rising FFr2 to FFr128.50 as the insurer reported a smaller than expected first half net loss.

ZURICH gave up an early advance as activity eased after the expiry of October options and futures. The SMI index finished 4.1 weaker at 3,120.4, but it was still 0.4 per cent higher on a week which had seen the market trade at its high for the year.

Nestlé registered lost SFr10 to SFr1,171 and SMH, the recently high flying watchmaker, fell SFr14 to SFr746 on the easing dollar and an increasingly downbeat mood among analysts.

Financials were steady but pharmaceuticals were mixed, with Roche certificates down SFr20 to SFr8,310 and Sandoz registered picking up another SFr5 to SFr955 ahead of nine-month results next week.

Elsewhere, there were varying degrees of pain. A 20.37 drop in the ATX index to 885.71 left VIENNA down another 5.3 per cent on the week following the collapse of the Austrian government, following a 3.6 per cent drop in the week before.

HELSINKI was 7 per cent down on the week with the Hex index off 45.87 at 1,970.1. Nokia A fell FM7 at DM253, down 14.5 per cent on a week which brought eight month results, disappointing the stock's US fans; a further weaking in the New York ADS price for Nokia yesterday indicated roughly FM248 a share after the Finnish market closed.

STOCKHOLM was inclined to accept Ericsson's argument that it was less exposed to the analog mobile telecom market than Nokia, and Ericsson Bs only fell another SKr2 to SKr92. However, it was less kind to what seemed very good results from Trygg-Hansa, and the insurer's shares dropped SKr4 to SKr92 as the Affärsvärlden General index fell 16.0 to 1,770.8, a week's fall of 1.8 per cent.

MADRID, meanwhile, seemed to go down with the herd, a fall of 3.88 to 296.38 leaving the general index with a five-day fall of 2 per cent.

Written and edited by William Cochrane, Michael Morgan and John Pitt

SOUTH AFRICA

Shares closed steady as investors reflected on the market's drive forward during the week. The outlook for gold shares, however, remained negative, dealers said, following disappointing quarterly gold mine results. The gold index sank to a 30-month low in morning trade, but picked up later to end off 24.6 at 1,335.5. The overall index fell 25.7 to 5,826.7 and industrials by 27.8 to 7,483.8.

ASIA PACIFIC

Wall Street high takes Nikkei over 18,000

Tokyo

Investors were encouraged by Thursday's Wall Street rally and the Nikkei average closed above 18,000 for the first time since Monday, *writes Emiko Terazono in Tokyo.*

The 225 index closed up 201.97 at 18,157.33, 1.5 per cent higher on the week, after trading between 17,973.40 and 18,218.61. A rise in futures prompted arbitrage, which in turn triggered buying in high-technology stocks. The leading electronics companies are announcing their results next week, and some investors tried to increase their exposure; earnings are expected to have been boosted by the decline in the yen.

Volume totalled 360m shares against 296m. The Topix index of all first section stocks rose 11.46 to 1,445.73 and the Nikkei 300 2.19 to 271.32. Advances led declines by 701 to 319 with 164 unchanged.

In London, the ISE/Nikkei 50 index rose 2.51 to 1,234.80.

Brokers, which will release half year results on Monday, rose 1.7 per cent. Nomura rising Y30 to Y1,940 and Daiwa Securities Y20 to Y1,240.

The electronics sector rose 1.4 per cent. Oki Electric, the most active issue of the day, gained Y6 to Y968, Hitachi gained Y10 to Y1,060 and Toshiba added Y18 to Y753. Consumer electronics companies were also higher with Matsushita Electronics Industrial adding Y20 to Y1,520 and Sony up Y30 to Y5,200.

Haseko, the condominium builder which announced that it would write off huge losses from its property investments, rose Y5 to Y356 following an initial decline in early activity. Trading in the company was halted on Thursday ahead of its announcement.

In Osaka, the OSE average rose 104.18 to 19,522.48 in volume of 23.6m shares. Nintendo, the video game maker, rose Y160 to Y7,390.

Roundup

The region was mixed, but biased towards the downside.

BANGKOK reacted to analysis of brokerage earnings which suggested that finance stocks may have had a disappointing third quarter. The SET index fell 15.30, or 1.2 per cent to 1,282.51, 2.8 per cent down in the week, in moderate turnover of Bt5.2bn.

Phatra Thanakit, a major finance and brokerage house which posted a 5 per cent profits rise for the third quarter, fell Bt4 to Bt183.

HONG KONG fell on profit-taking triggered by index futures-linked selling, the Hang Seng index shedding 86.37 at 9,895.24, slightly better than flat on the week. Turnover rose from HK3.36bn to HK$3.99bn. SHANGHAI Bs fell 0.461 to 56.243 on a poor debut for Inner Mongolia Erdos Cashmere Products, which closed 1.5 per cent below its issue price at $0.462. Shanghai and Shenzhen As, meanwhile, rose by 3.5 and 5.9 per cent.

BOMBAY saw short selling ahead of next week's Diwali holiday and the BSE index fell 25.95 to 3,514.42 in thin volume, nearly 3 per cent down on the week.

SYDNEY ended a little lower on the day, tha All Ordinaries index closing 5.10 weaker at 2,106.80, but a fraction higher on the week, reflecting caution about the US equity market and uncertainty over the timing of the federal election.

SEOUL was disturbed by claims that a former president has amassed a huge illicit slush fund, investors sat on their hands and the composite index fell below 1,000, closing 5.29 lower at 994.93 for a 1.9 per cent fall on the week.

KUALA LUMPUR recovered as economic concerns earlier in the week gave way to talk of a narrowing in Malaysia's trade deficit for August. The KLSE composite index closed 14.42, or 1.5 per cent, higher at 959.23 on improved volume of 88m shares, but still down a fraction on the week.

Chase Perdana extended its run-up on rumours of a reverse takeover and asset injection, rising M$1.20 to M$12.90 in the market's heaviest volume of 3.1 million shares.

SINGAPORE saw a late pick up in Malaysian share activity, whila bargain hunting in domestic blue chips led the broader market higher in thin volume. The Straits Times Industrial index ended 19.18 higher at 2,107.92, a percentage point lower on the week.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY OCTOBER 19 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY OCTOBER 18 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (82)	183.76	-0.3	173.35	118.91	135.10	162.42	-0.0	4.00	184.25	174.04	117.34	136.38	162.42	191.01	157.95	166.93
Austria (27)	170.56	0.5	160.90	108.52	125.39	125.34	0.2	1.34	169.05	159.67	107.66	125.10	125.04	199.28	167.48	187.09
Belgium (35)	191.83	0.4	180.96	122.04	141.03	137.68	-0.3	3.80	191.12	180.52	121.71	141.44	138.05	201.12	164.78	172.27
Brazil (28)	149.32	-0.8	140.87	95.00	109.78	263.56	-0.8	1.60	150.57	142.22	95.89	111.43	265.54	–	–	–
Canada (100)	142.95	0.1	134.88	90.95	105.10	138.32	-0.1	2.66	142.86	134.94	90.98	105.72	138.45	150.83	121.81	137.28
Denmark (33)	283.70	0.7	267.63	180.49	208.57	211.99	0.1	1.59	281.84	266.22	179.49	208.58	211.88	285.99	238.91	260.67
Finland (25)	244.67	-2.4	230.82	155.67	179.86	218.45	-3.2	1.47	250.72	236.82	159.67	185.55	225.69	275.11	171.13	197.40
France (100)	168.48	-0.1	158.94	107.13	123.86	131.14	-0.7	3.35	168.66	159.32	107.42	124.83	132.02	191.17	157.79	169.12
Germany (59)	159.81	-0.1	150.76	101.67	117.49	117.49	-0.7	2.03	159.88	151.02	101.82	118.32	118.32	167.74	135.39	144.84
Hong Kong (55)	385.76	-0.1	363.92	245.43	283.61	382.95	-0.1	3.90	386.08	364.67	245.88	285.73	383.22	391.00	277.40	377.64
Ireland (16)	247.83	0.2	233.79	157.67	182.20	217.41	0.2	3.47	247.21	233.50	157.44	182.95	217.04	250.55	195.34	209.18
Italy (59)	71.56	-0.6	67.51	45.53	52.61	85.26	-1.3	1.73	72.14	68.14	45.94	53.39	86.41	82.71	65.45	77.63
Japan (483)	144.18	0.8	136.01	91.73	105.00	91.73	0.7	0.83	143.05	135.12	91.10	105.87	91.10	164.82	136.95	162.85
Malaysia (106)	464.00	-0.3	437.73	295.21	341.13	451.82	-0.2	1.82	465.50	439.70	296.46	344.51	452.74	561.96	398.15	558.51
Mexico (18)	1015.07	1.4	957.58	645.81	746.25	7419.16	0.7	1.97	1000.65	945.17	637.27	740.54	7370.70	2277.54	647.81	2253.82
Netherland (19)	255.79	0.2	241.31	162.74	188.06	184.94	-0.4	3.53	255.19	241.04	162.52	188.86	185.65	263.99	207.80	217.86
New Zealand (14)	82.24	0.3	77.58	52.32	60.46	68.32	0.2	4.30	81.97	77.43	52.20	60.66	68.17	85.49	69.56	73.95
Norway (33)	238.97	-0.6	225.44	152.04	175.68	201.88	-1.2	2.10	240.50	227.17	153.17	177.99	204.35	248.79	192.92	207.38
Singapore (44)	368.27	-0.2	347.42	234.30	270.75	241.75	-0.3	1.70	369.13	348.67	235.08	273.19	242.45	414.28	313.94	392.20
South Africa (45)	365.92	-0.7	345.20	232.81	269.01	291.90	-0.8	4.00	368.62	348.18	234.76	272.80	294.20	388.82	281.06	337.12
Spain (38)	149.13	0.2	140.75	94.92	109.68	138.17	-0.5	4.09	148.93	140.68	94.85	110.22	138.94	160.51	124.10	142.79
Sweden (48)	318.74	0.0	298.81	201.52	232.86	317.73	-1.1	1.86	316.82	299.25	201.77	234.47	321.36	320.43	225.80	236.78
Switzerland (41)	221.81	0.0	209.25	141.12	163.07	156.49	-0.3	1.68	221.90	209.59	141.32	164.22	159.03	221.90	158.38	167.05
Thailand (46)	165.57	0.1	156.19	105.34	121.73	161.32	0.1	2.82	165.36	156.19	105.31	122.38	161.09	–	–	–
United Kingdom (207)	226.77	-0.2	213.93	144.28	166.72	213.93	-0.4	4.00	227.31	214.71	144.77	168.23	214.71	227.31	187.07	201.57
USA (503)	242.04	0.6	228.33	153.90	177.94	242.04	0.6	2.43	240.71	227.37	153.30	178.14	240.71	242.04	182.33	192.04
Americas (649)	220.86	0.5	208.35	140.52	162.37	165.29	0.5	2.43	219.70	207.52	139.92	162.59	164.34	–	–	–
Europe (740)	194.50	-0.1	183.48	123.74	142.99	163.81	-0.6	3.08	194.77	183.97	124.04	144.14	164.73	199.02	163.04	173.67
Nordic (139)	289.53	-0.4	273.14	184.21	212.86	247.07	-1.3	1.78	290.62	274.51	185.08	215.08	250.30	295.02	215.79	232.23
Pacific Basin (832)	154.96	0.6	146.18	98.58	113.92	102.28	0.5	1.27	154.02	145.48	98.09	113.98	101.73	173.52	145.83	171.95
Euro-Pacific (1572)	171.34	0.2	161.63	109.01	125.96	125.58	0.0	2.13	170.90	161.43	108.84	126.48	125.50	178.33	154.73	172.56
North America (603)	235.91	0.5	222.55	150.09	173.44	235.11	0.5	2.44	234.66	221.65	149.45	173.66	233.89	235.91	178.88	186.64
Europe Ex. UK (533)	173.14	-0.1	163.33	110.15	127.29	136.82	-0.7	2.54	173.28	163.67	110.35	128.24	137.75	179.48	146.45	154.98
Pacific Ex. Japan (349)	256.92	-0.2	242.38	163.46	188.89	225.49	-0.1	3.25	257.36	243.10	163.91	190.47	225.67	266.72	211.18	260.06
World Ex. US (1763)	172.42	0.2	162.66	109.70	126.78	128.12	-0.0	2.17	172.03	162.49	109.56	127.31	129.12	178.73	155.42	174.59
World Ex. UK (2059)	190.59	0.4	179.79	121.26	140.11	155.57	0.3	2.08	189.79	179.26	120.87	140.45	156.13	191.32	163.46	177.18
World Ex. Japan (1783)	221.48	0.2	208.89	140.88	162.79	206.30	0.1	2.75	220.89	208.71	140.72	163.52	208.17	221.43	178.95	190.13
The World Index (2266)	193.75	0.3	182.77	123.27	142.44	161.53	0.2	2.26	193.06	182.36	122.95	142.88	161.23	194.25	165.92	179.34

Latest prices were unavailable for this edition.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jan	Apr	Jul	Puts Jan	Apr	Jul	Option		Calls Nov	Feb	May	Puts Nov	Feb	May
ASDA	90	10½	12½	15	2	3½	4½	Grand Met	420	37	47½	51	2½	10½	11
(*97)	100	4½	7½	10	6½	8	9	(*453½)	460	9½	20½	26½	18	28½	30½
Allied Domecq	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*523)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Argyll	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*323)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*490)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bass	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*663½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Boots	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*547)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit Airways	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*457½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BP	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*473½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Steel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*170½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cable & Wire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*417)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Comm Union	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*632½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Courtaulds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*382)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Glaxo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*798)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HSBC 75p sh	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*948½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ICI	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*807½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kingfisher	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*489)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Land Secur	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*579½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marks & S	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*437)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NatWest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*645)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PowerGen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*556½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Reuters	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*584)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Insce	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*394½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sainsbury	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*406)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Shell Trans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*739½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SmKl Bchm A	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*652½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Std Chartd	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*501)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Storehouse	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*306½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Thames Wr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*518½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trafalgar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Unilever	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*1257½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zeneca	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*1176)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Option		Nov	Feb	May	Nov	Feb	May	Option		Dec	Mar	Jun	Dec	Mar	Jun
BAT Inds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*531½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BTR	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*321½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit Aero	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*732)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brit Telecom	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*363)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cadbury Sch	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*526)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eastern Elec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*974)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GEC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(*324½)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Underlying security price. Premiums shown are based on settlement prices.
October 20 Total contracts. Equity and index options: [illegible]

FT GOLD MINES INDEX

	Oct 19	% chg on day	Oct 18	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1916.45	-1.8	1937.12	2279.34	2.08	–	2394.73	1637.91
% Regional Indices								
Africa (16)	2476.24	-1.5	2513.41	3385.54	4.39	21.51	3771.87	2428.13
Australasia (8)	2257.44	-0.8	2275.54	2281.14	2.30	–	2689.40	1906.22
North America (12)	1668.25	-0.8	1681.35	1770.89	0.86	44.98	1831.80	1348.18

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	5	49	17	146	141	72
Other Fixed Interest	0	0	14	2	1	67
Mineral Extraction	32	105	92	265	430	450
General Manufacturers	122	150	397	631	665	2,033
Consumer Goods	51	42	133	218	257	657
Services	77	135	337	489	599	1,657
Utilities	18	17	23	102	79	110
Financials	67	107	239	456	467	1,158
Investment Trusts	71	126	411	446	419	2,175
Others	35	54	41	219	236	208
Totals	478	785	1,704	2,972	3,313	8,588

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Oct 9	Expiry	Jan 11
Last Dealings	Oct 20	Settlement	Jan 18

Calls: Dana Pet, MAID, Magnum Power, Microvitec, Oxford Molecular, Pearson, Trafalgar House, Wiggins Group.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
50	F.P.	14.5	71	50	Consolidated Coal	66	-2	-	-	-	-
-	F.P.	5.85	130	120	Euro Sales Fin	130		-	-	-	-
-	F.P.	0.82	28	17½	German Sml Wts	19		-	-	-	-
-	F.P.	5.70	40	25	Hay & Robertson	38		-	-	-	-
-	F.P.	11.7	119	112	Indpt Radio	117		-	-	-	-
45	F.P.	17.6	61	52	NuMedia	61		-	-	-	-
-	F.P.	19.3	105	100	Murray Vct	105		-	-	-	-
-	F.P.	14.4	61	60	Pembertsone	60		-	-	-	-
100	F.P.	30.9	104	99	Pizza Brtsh	100		-	-	-	-
400	F.P.	3.82	400	400	Preston Nth End	400		-	-	-	-
-	F.P.	-	½	½	Upton & Sthn Wts	½		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995 High	Low	Stock	Closing price p	+or-
320	Nil	14/11	114pm	93pm	Alumasc	112pm	-1
20	Nil	24/11	17pm	5pm	Anglo-Estn Plantc	5pm	
16	Nil	28/10	2pm	4pm	Bana	2pm	
490	Nil	13/11	100pm	50pm	Forth Ports	91pm	
-	Nil	8/11	152pm	113½pm	RMC	128pm	

pm premium.

FINANCIAL TIMES EQUITY INDICES

	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Yr ago	*High	*Low
Ordinary Share	2599.8	2621.2	2636.5	2620.3	2614.4	2333.7	2666.5	2238.3
Ord. div. yield	4.09	4.05	4.04	4.07	4.08	4.41	4.73	4.02
P/E ratio net	15.92	16.01	16.05	15.84	15.81	16.30	21.33	15.35
P/E ratio nil	15.73	15.82	15.86	15.65	15.63	17.84	22.21	16.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40.
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2627.4	2631.3	2624.7	2626.3	2617.2	2613.3	2608.0	2595.9	2597.7	2634.7	2595.8

	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Yr ago
SEAQ bargains	28,064	29,654	29,215	28,372	30,199	22,025
Equity turnover (£m)†	-	1608.6	1609.4	1467.4	1263.3	1457.2
Equity bargains†	-	34,911	34,085	33,292	36,122	25,888
Shares traded (mil)†	-	658.4	639.8	561.4	452.8	556.1

† Excluding intra-market business and overseas turnover.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ϕ Bargains done the previous day.

British Funds, etc

Guaranteed Export Finance Corp PLC 12⅞% Gtd Ln Stk 2002(Reg) - £123[illegible] (16Oc95)

Corporation and County Stocks

Bristol(City of) 11½% Red Stk 2008 - £117 (16Oc95)

[illegible]

UK Public Boards

[illegible]

Foreign Stocks, Bonds, etc-(coupons payable in London)

[illegible]

Sweden(Kingdom of) ECU500m 7¼% Nts 30/6/2000 - EC100.9

Swiss Bank Corporation £250m 8.75% Subord Bds 20/6/2005 - £99.9 (17Oc95)

Toyota Motor Credit Corporation $250m 7.75% Nts 19/12/97 - $103.42 (13Oc95)

Treasury Corporation of Victoria $A100m 9% Nts 27/6/2005 - $A100⅞ (18Oc95)

Sterling issues by Overseas Borrowers

Bank of Greece 10¾% Ln Stk 2010(Br) - £100⅞ϕ

[illegible]

Listed Companies(excluding Investment Trusts)

[illegible]

Carlton Communications PLC ADR (2:1) - $31.9

Carlton Communications PLC 7½% Cnv Subord Bds 2007(Reg £5000) - £147 .18 ¼

Carlton Communications PLC 7½% Cnv Bds 2007(Br £5000) - £146½ (17Oc95)

[illegible]

Investment Trusts

[illegible]

USM Appendix

[illegible]

Alternative Investment Market

[illegible]

RULE 2.1 (a)(v)

Bargains marked in securities ... falling within Rule 2.1 (a)(v) where the principal market is outside the UK and Republic of Ireland.

[illegible]

By Permission of the Stock Exchange Council

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. All rights reserved.

The FT-SE Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. © The Financial Times Limited 1995. All rights reserved.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-SE Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

هكذا من الأصل

LONDON STOCK EXCHANGE

MARKET REPORT

Share prices lose ground as profit-takers move in

By Steve Thompson,
UK Stock Market Editor

The failure of an early attempt to drive the FT-SE 100 index through the 3,600 level saw equities quickly lose their upward momentum and sink back to close sharply lower.

With the continued absence of any of the much rumoured takeover bids in the financial and other sectors again causing many of the market's speculators to lose their enthusiasm, there was plenty of scope for profit-takers to move in.

The FT-SE 100 Index closed 27.2 down on the session and 16.2 lower on the week. Earlier in the week, Footsie reached an all-time high and other indices hit 1995 peaks.

The market's second-line stocks did better than the leaders yesterday, with the FT-SE Mid 250 index closing 1.3 up on the day, although it fell 5.8 over the week.

Sentiment in equities was also unsettled by a poor performance from international bonds.

US bonds performed well overnight, but began to lose ground yesterday, after worries about US inflation, put forward by Mr Alan Greenspan, chairman of the US Federal Reserve, undermined sentiment. Gilts, which edged higher in the early part of the session, began to wilt in mid-morning, and continued to fall away during the afternoon. There was increasing unease in London ahead of next week's auction of £3bn-worth of gilts. The last gilts auction was uncovered and caused severe uncertainty across markets.

The trading session began with Footsie up seven points and looking in good shape after the latest upsurge by US stocks. Wall Street moved sharply higher on Thursday, with the Dow Jones Industrial Average closing at an all-time high.

With at least one of the leading UK securities houses giving the leaders a strong push, Footsie hit a session high of 3,594.3 before 9am, and looked well set to launch a determined attack on 3,600. The early enthusiasm quickly petered out however, and intermittent bouts of selling pressure saw the leading index begin to slip away.

An almost total absence of support for equities was evident during the rest of the session and share prices continued to lose ground. Wall Street's unexceptional opening, which saw the Dow up a few points before slipping back, did nothing to sustain London.

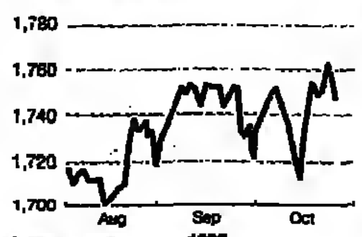
Marketmakers were disappointed with the day's performance but still hoped that some of the bid stories could come to fruition next week.

Bank shares, which have been in the limelight since the surprise merger between Lloyds Bank and TSB, were among the biggest casualties yesterday. Royal Bank of Scotland, widely regarded as the hottest takeover target in the sector, was heavily sold, as was Standard Chartered.

Turnover at 6pm was 799m shares, with customer business on Thursday reaching £1.61bn.

Some traders refused to rule out further moves in the utilities sector. Moves by the water companies to absorb their regional electricity counterparts are thought likely if the Department of Trade and Industry flags through the North West Water bid for Norweb. And Northern Electricity was seen as a potential bid target for Scottish Hydro.

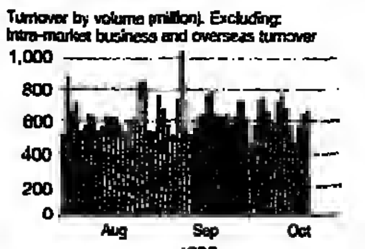
FT-SE-A All-Share Index



Source: FT Extel 1995

Equity shares traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



Indices and ratios

FT-SE Mid 250	3939.5	+1.3
FT-SE-A 350	1769.0	-10.4
FT-SE-A All-Share	1747.78	-9.53
FT-SE-A All-Share yield	3.82	(3.80)
FT Ordinary index	2599.6	-21.6
FT-SE-A Non Fins p/e	16.96	(17.01)
FT-SE 100 Fut Dec	3570.0	-38.0
10 yr Gilt yield	8.15	(8.07)
Long gilt/equity yld ratio:	2.20	(2.20)

FT-SE 100 Index

Closing index for Oct 20	3551.4
Change over week	-16.6
Oct 19	3578.6
Oct 18	3593.0
Oct 17	3562.2
Oct 16	3557.3
High*	3598.0
Low*	3541.9

*Intra-day high and low for week

TRADING VOLUME IN MAJOR STOCKS

	Vol. 000s	Closing price	Day's change		Vol. 000s	Closing price	Day's change
3i†	954	418	-1	London Elect.	1,300	937½	+14½
ASDA Group†	12,000	96½	-2¾	Lonrho	1,200	163	-6
Abbey National†	5,700	553	-9	Lucas	504	192	-2
Albert Fisher	6,000	52½	-½	MEPC	390	366	-4
Allied Domecq†	1,700	523	-1	MFI	2,600	136½	-½
Anglian Water	1,400	573	+1	Marks & Spencer†	7,300	437	-1
Argos	168	511	-1	Mercury Asset Man.	850	954	-6
Argyll Group†	3,200	324	-6½	Midlands Elect.†	240	971	-3
Arjo Wiggins†	1,500	234	+3	Morrison (Wm.)	169	158	
Assoc. Brit. Foods†	281	705					

EQUITY FUTURES AND OPTIONS TRADING

The expiry of the index options dominated trading on the last day of a busy week in derivatives, *writes Joel Kibazo.*

In traded options, it was the mid-morning expiry of the October index options that was the main focus of the session. Turnover in the FT-SE 100 at the close stood at 31,280 but volume in the Euro FT-SE option was more modest, closing at 6,876 lots. Total volume in the sector was 51,718 lots.

Hanson was the busiest stock option, with a total of 2,226 contracts and was followed by Glaxo Wellcome with 2,205 lots. J Sainsbury was also busy.

In futures, the December contract on the FT-SE closed at 3,570, down 38 on its previous close and some 7 points below its estimated fair value premium to cash of 26 points. Volume was 14,767 contracts.

During the session, it rose to a high of 3,625 and touched a low of 3,555.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3618.0	3570.0	-38.0	3625.0	3555.0	14767	67437
Mar	-	3586.5	-38.0	-	-	0	2653
Jun	-	3603.5	-38.0	-	-	0	134

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3960.0	3960.0	-	3960.0	3960.0	1	3538

■ FT-SE 100 INDEX OPTION (LIFFE) (*3550) £10 per full index point

	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P
Oct	160		100		50			5		55		105		155		205
Nov	171	12	128½	20	91	32½	[illegible]	52½	35	79½	17	115	7	160	2½	210
Dec	197½	28	158	40	124	55	93	75½	67	101	44	130½	28½	167½	18	210½
Jan	220	40			150	70			94½	116			54½	160		
Jun†	280½	92			218½	125½			162½	168½			114½	224		

Calls 17,293 Puts 16,495

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

FT-SE-A INDICES - LEADERS & LAGGARDS

FT-SE Actuaries Share Indices — The UK Series

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

Price war fear hits retailers

Food retailing stocks came under pressure, as fears swept the market that the increasing price war among leading companies in the sector may start hitting profits.

The sharpest decline came in J. Sainsbury. The shares gave up 15 to 408p, the day's worst performer among Footsie constituents, after the company announced a maximum national price for unleaded fuel at its 170 petrol stations from Monday.

Analysts believe the move is another step in the growing price war that may eventually force a downgrading of profit expectations across the sector.

One said: "The market will watch Sainsbury's interim figures on November 1 particularly closely for signs of the effects of increasing competition."

SBC Warburg, broker to Sainsbury, said investors should "avoid the sector and reduce overweight holdings to neutral due to the aggressive promotion activity in the key commodity areas of petrol, frozen food and produce." The broker believes Sainsbury to be cheap for the long term, but urges investors to take profits in Asda Group and "avoid" the second liners.

Asda fell back on the same concerns to close 2¾ lower at 96¼ following a busy session in which 11m were dealt. In the rest of the sector, Argyll Group surrendered 6½ to 324p, while rival Tesco fell 5½ to 302p in trade of 5.7m.

Busy trade in Hanson

International conglomerate Hanson experienced exceptionally heavy turnover of 35m shares yesterday and fell more than 2.5 per cent.

The volume of shares was largely attributed to stock lending, the practice whereby institutions offer equity to marketmakers for a short period in return for an agreed interest payment.

However, the fall of 5¼ to 193½p in the shares reflected concern over a newspaper story claiming that one unnamed company had been ordered to pay an Inland Revenue tax bill of £1.6bn. As Hanson has historically faced a tax charge of around 20 per cent in recent years, many analysts immediately linked it with the article.

Dissenting voices suggested that, during a year when Hanson issued bonds to US investors and bought a regional electricity group, it would have had to declare any big bills. Hanson issued a denial late yesterday.

However, Mr Zafar Khan of SGST, a long-term seller of the stock, argued that even if the tax charge speculation were a red herring, Hanson would remain under pressure. "There is a general feeling that the commodity cycle has peaked. The next story will be one of dividend cuts," he said.

Regional electricity company shares performed well against the trend, as hope over payouts from the National Grid flotation combined with the continuing trickle of takeover stories.

Northern, seen as the biggest beneficiary of the Grid float, gained 12 to 865p helped by speculation that one of the generators was interested in doing a deal.

Belief in tie-ups

Elsewhere, there was a growing belief in regional tie-ups. London, which has already been linked in the press to Thames Water, gained 14½ to 937½p, while Thames lost 6 to 519p. Meanwhile, a rumour developed that Yorkshire Water might be interested in making a move on Yorkshire Electricity. The two companies each gained 6 to 646p and 905p respectively.

Pharmaceutical stocks shunned London's falls and Wall Street's weakness as they responded to the possibility of extended drug patents.

Merck, the US group, said a district court ruling had extended the US patent on its cholesterol-lowering drug for almost 18 months.

The ruling was called for under the General Agreement on Tariffs and Trade and analysts said the GATT patent extension had put a positive background to all the pharmaceutical sector.

The most obvious gainer was SmithKline Beecham, which rose 8 to 652½p, ahead of figures next week. However Glaxo Wellcome, which has a big presence in the US, rose 2 to 796½p and Zeneca was relatively steady, with a fall of only a penny to 1176p.

Financial stocks, the most geared to rises and falls in the market, were affected strongly by profit-taking as heavy selling in the futures dragged equities lower.

Royal Bank of Scotland, perceived as the next takeover candidate within the banking sector, fell 19 to 529p, one of the biggest declines in the Footsie. It was closely followed by a fall of 16½ to 501p for Standard Chartered, despite a recommendation from one securities house.

In the insurance sector, Guardian Royal Exchange, seen as the most obvious target within the composites, slid 6 to 243p.

News that engineering group IMI was merging its loss-making titanium interests with those of Tremont Corp of the US cheered the market.

The shares were one of the best performers in the FT-SE Mid 250 index, after they jumped 13 to 342p. Panmure Gordon rates the shares a buy and said yesterday, "The deal removes a huge element of uncertainty from the stock."

There were rumours in the market late in the session suggesting BZW was about to publish a sharp profits downgrade in Glynwed International. The shares closed 4 lower at 352p.

Glassmaker Pilkington was the worst performer in the FT-SE Mid 250 index after a block of 6m was crossed at 185p, well below the market price. The shares fell 10 to 186p, with volume at 15m by the close.

Trafalgar House continued to attract buyers on its recovery prospects. The shares hardened ¼ to 22p in trade of 13m.

International news and electronic information group Reuters Holdings lifted 2 to 583p, after the company gave what was described as a "solid and long-term positive" presentation to investors at Panmure Gordon.

A report that demand for advertising among independent television stations had dropped for November and December hit Carlton Communications. It dropped 15 to 972p despite recent underperformance against the market.

NEW HIGHS AND LOWS FOR 1995

NEW HIGHS (104).
BANKS, RETAIL (2) ABN Amro, Lloyds, BREWERIES (1) Grosvenor Inns, BUILDING & CNSTRN (1) Havelock Europa, BLDG MATLS & MCHTS (1) Kingspan, CHEMICALS (2) BOC, Perstorp, DISTRIBUTORS (2) Acal, ISA Int'l, ELECTRICITY (1) London Elec, ELECTRNC & ELECT EQUIP (8) Acorn Computer, AromaScan, Dorika Bus Systems, Eurotherm, Microvitec, Pacer Systems, TDK, Telspec, Whessoe, ENGINEERING (11) ENG, VEHICLES (1) Honda Motor, EXTRACTIVE INDS (2) De Beers Linked Units, Kenor, FOOD PRODUCERS (2) Cranswick, Golden Vale, HOUSEHOLD GOODS (1) Bilston & Battersea, INSURANCE (5) American Int'l, Hibernian, Premium Underwriting, Skandia, Topdanmark, INVESTMENT TRUSTS (14) LEISURE & HOTELS (3) Arcadian Int'l, Jurys Hotel, Thorn EMI, LIFE ASSURANCE (1) AEGON, MEDIA (3) Chiltern Radio, Dorling Kindersley, MAID, OTHER FINANCIAL (8) Baltic, Caledonia Invs, Gartmore, Henderson Adm, Mercury Asset Mgmt, Perpetual, OTHER SERVS & BUSNS (2) BTG, Essaca, PAPER, PACKG & PRNTG (3) Bowmore Int'l, Clondalkin, St Ives, PHARMACEUTICALS (2) PROPERTY (2) Green Prop, TBI, RETAILERS, FOOD (1) Watson & Philip, RETAILERS, GENERAL (4) Argos, JJB Sports, Kingsbury, Tie Rack, SUPPORT SERVS (7) Admiral, Business Post, Hays, Lyte, F & P, Serna, Vistec, TEXTILES & APPAREL (2) Bridport-Gundry, Haggas (J), TRANSPORT (3) Forth Ports, Trafficmaster, AIM (4) AMCO Corp, Ann Street Brewery, Mooreplay, Stanford Rock, AMERICANS (5) SOUTH AFRICANS (2)
NEW LOWS (41).
GILTS (2) BUILDING & CNSTRN (2) Prowting, Torex Hire, BLDG MATLS & MCHTS (5) Baggeridge Brick, Cape, Lafarge Coppee, Redland, St Gobain, CHEMICALS (2) Courtaulds, Holliday, DIVERSIFIED INDLS (2) Bensford, Hanson, ELECTRNC & ELECT EQUIP (2) BICC, Bdoe, EXTRACTIVE INDS (8) HOUSEHOLD GOODS (1) Osborne & Little, INVESTMENT TRUSTS (8) LEISURE & HOTELS (1) Tring Int'l, MEDIA (2) Adscene, Holmes Marchant, OIL, EXPLORATION & PROD (1) Fitzcroft Res, OTHER FINANCIAL (1) OTHER SERVS & BUSNS (1) Greenway, PAPER, PACKG & PRNTG (1) Ferguson Int'l, PROPERTY (2) RETAILERS, GENERAL (1) Church, SUPPORT SERVS (1) Micro Focus, TEXTILES & APPAREL (1) Lamont, AMERICANS (1).

■ CHIEF PRICE CHANGES YESTERDAY

London (Pence)

Rises

Aberdeen Steak Hse	60	+	6
AromaScan	125	+	7
Baltic	163	+	13
Cray Elect	47½	+	3½
Forth Ports	815	+	26
IMI	342	+	13
Medeva	286	+	10
Meyer Intl	341	+	7
Molyneux Ests	74½	+	4
Northern Elect	865	+	12
Pacer Systems	128	+	9
Ramco	355	+	14

Falls

Baird (Wm)	219	-	9
Ferguson Intl	243	-	25
GRE	243	-	6
Holmes & March	6¾	-	5¼
Pilkington	186	-	10
RMC	1058	-	24
Redland	357½	-	10½
Royal Bk Scotland	529	-	19
Standard Chrtd	501	-	16½
Superframe	40	-	5
Tring	52	-	7

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or –	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf.		50½	—	58	50¼	6.31	19.8	–
9¼pc Non-Cum Prf		4⅝	—	116½	3	1.80	–	–
Cater Allen	♣v	483	—	526	418	197.8	7.5	7.3
Close Bros	♣v	348xd	—	*348½	216¼	379.5	3.4	Φ
Gerrard & Nat.	♣v	448	—	460	395	218.6	6.3	14.5
Hambros	v	205	—	253	180	383.1	4.6	51.7
7½pc Cv Pf		102	—	112	94	131.4	9.2	–
Joseph (L.)	♣v	423	—	468	353	22.4	5.2	23.8
King & Shaxson	♣v	127	–2	145	65	32.6	8.9	9.0
Rea Brothers	♣v	45	—	67	44	21.9	2.6	18.0
Schroders	♣†hv	1374xd	+1	*1478	906¼	2,074	1.3	19.6
N/V	†hv	1125xd	—	*1188	823¼	495.0	1.8	16.0
Singer & Fried.	♣†v	106xd	–1	110	81	209.5	4.4	11.0
8½pc Cv Ln 09/14		£129½	—	£121	£100	36.7	6.8	–
Union	♣v	109	—	121	70	29.9	3.4	–
Wintrust	♣v	295	—	295	200	25.1	4.0	16.9

BANKS, RETAIL

	Notes	Price	+ or –	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£26¾	+⅜	£28¼	£21⅓	8,114	4.8	9.8
ANZ A$		274	–2	289	198	3,907	5.0	8.3
Abbey National	♣†v	553	–9	577½	413	7,299	4.4	11.1
Allied Irish I£	♣†	328	—	330	250	2,106	4.4	9.5
Anglo Irish I£		63	—	63	48	216.8	7.0	12.7
Asahi Y		672¼	–4¼	857¾	632¼	15,608	0.7	–
Banco Bil Vic Pta		£19½	–⅛	£20½	£14⅔	4,429	4.2	8.8
Banco Sant Pta		£27⅓	—	£27⅓	£22⅓	4,372	5.0	13.3
Bk Ireland I£		425	–2	428	288	2,020	3.8	8.5
Bank Scotland	♣†v	260xd	–7	270½	181½	3,062	3.0	11.5
9¼pc Pf		114¼	–¼	120	109¾	114.2	10.5	–
[illegible]		[illegible]						

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31⅛	—	£34	£29	2,108	2.8	Φ
Barlow	‡	678	-⅛	£8⅞	542	1,803	1.2	29.3
Gold Flds Prop R		148xd	—	152	118	14.9	7.2	6.7
NK Props		85	—	85	85	3.48	13.8	-
SASOL	♥	547	—	848	435	3,208	2.5	-
SA Brews		£20½	+⅛	£20½	£12⅞	5,938	1.7	Φ
Standard Bank	□	£23⅝	-⅛	£24⅛	£20⅛	2,822	1.9	16.6
Tiger Oats		1087	—	1087	700	1,635	1.4	26.2
Tongaat-Hulett	‡‡	860	+25	860	638	774.7	1.6	25.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised $ dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ¥ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ✦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. s Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based 95 prospectus or other official estimates for 1995-96. R Forecast annualise yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3973. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

Both Annual Reports and FT Company Focus are available from the above number.

FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

FINANCIAL TIMES
Weekend October 21/October 22 1995

FT writers report worldwide investment in new technology

Intel to spend $3bn on expansion

Intel, the world's largest semiconductor maker, plans to spend more than $3.1bn over the next two years to expand production in Ireland, Israel and Malaysia to keep pace with rising demand for components used in personal computers.

Its announcement yesterday followed a string of investment and co-operation moves this week by the world's leading semiconductor manufacturers.

Intel will spend about $1.5bn to build a new microprocessor plant at the site of its plant in Leixlip, west of Dublin. The investment will create 1,200-1,500 jobs. Continued expansion of existing facilities will bring total new jobs to about 2,000. The new plant is scheduled to be completed in 1998 and will produce the latest Intel microprocessors, the "brain" chips of personal computers.

Ireland's development agency is understood to have agreed around I£100m ($160m) in grant support. Mr Richard Bruton, enterprise and employment minister, said this "was probably one of the best investments ever made on behalf of Irish taxpayers." Intel also announced plans for a $1.6bn memory chip plant in the Negev desert in southern Israel, in the country's largest single foreign investment. It will employ about 1,500 people when completed in 1988.

"Industry experts are predicting that personal computer sales will reach 100m units a year before the end of the decade. We are taking steps to assure that Intel will be able to meet the demand of the rapidly growing market," said Mr Craig Barrett, chief operating officer.

> 'Industry experts are predicting that personal computer sales will reach 100m units a year before the end of the decade. We are taking steps to assure that Intel will be able to meet the demand of the rapidly growing market.'
>
> **Craig Barrett, Intel chief operating officer**

The international expansion follows a build-up of production capacity in the US, where the company recently opened a plant in New Mexico and is building plants in California, Arizona and Oregon. Under Israel's law for encouraging capital investment in developing areas, the Intel project will qualify for government grants worth $608m, 38 per cent of the total investment. This has sparked controversy in Israel's business community.

In Malaysia, Intel plans to spend about $30m on a factory for personal computer circuit boards. It is scheduled for completion next year and will join Intel's existing Penang semiconductor assembly and test centre.

Intel is leading an unprecedented wave of expansion throughout the world semiconductor industry. With world sales expected to grow by more than 30 per cent this year to about $150bn, more than 50 plants are in various stages of planning or construction. International Business Machines and Motorola of the US, Siemens of Germany and Japan's Toshiba confirmed on Thursday they are discussing joint development of the next generation of advanced memory chips, expected to start appearing in electronic devices early next century. Meanwhile Matsushita, Japan's largest consumer electronics maker, yesterday announced plans to build semiconductor manufacturing facilities in the US and Indonesia. The plants are part of a programme to double its production of semiconductors by the end of the decade to Y600bn ($6bn).

Matsushita plans to build a semiconductor plant in Washington State designed to manufacture microcontrollers – used increasingly in a wide range of consumer electronics and multimedia applications – and memory chips. It is expected to start production in 1997, cost about Y60bn and be the group's second semiconductor plant in the US. Matsushita also plans a semiconductor assembly plant in Indonesia next year, its third Asian assembly plant outside Japan.

Reporting by Louise Kehoe in San Francisco, Julian Ozanne in Jerusalem, Michiyo Nakamoto in Tokyo and John Murray Brown in Dublin

Japan to scrap access accord, Page 3

US-UK air traffic talks suspended

British accused of moving too slowly to transatlantic 'open skies' target

By Nancy Dunne in Washington and Michael Skapinker in London

Talks between the US and UK to liberalise transatlantic air traffic were suspended yesterday with the US saying the British wanted to move too slowly towards the long-sought objective of "open skies".

US negotiators concluded that the talks were being conducted in an effort to protect British Airways from competition in lucrative markets. Uncertainty over a possible merger between US Air – which has a code-sharing arrangement with British Airways – and United or American played a role in jettisoning the current round.

The UK had earlier offered the US increased access to London's Heathrow and Gatwick airports in an attempt to end the deadlock in aviation talks between the two countries.

In return, it was demanding more freedom for British airlines to bid for US government contracts. It was also asking for establishment of a bi-national body to solve pricing disputes. Negotiators had been meeting in Washington this week in an attempt to liberalise transatlantic air traffic. The countries reached a preliminary agreement in June, which allowed for a small increase in flights between the US and Heathrow.

The US has, however, demanded greater access to Heathrow. Mr Federico Peña, US transportation secretary, came under fire from members of Congress for failing to win greater concessions in the June agreement. Talks over the summer failed to make further progress.

The UK this week said it would allow a US airline to begin making daily round trip flights to Heathrow. It would be up to the US department of transportation to decide which airline would run this service, which would last for two years. In 1997, a US carrier could begin another daily round trip service to Heathrow, which would also last for two years.

The UK also offered US carriers the right to begin two new services into Gatwick. Although the offer falls short of the "open skies" arrangement that the US has sought, US carriers are said to be divided, with some urging their government to accept.

The talks were adjourned earlier this week for US negotiators to discuss the offer with officials they said were "higher than the Department of Transportation", an apparent reference to the White House.

The bi-national body being demanded by the UK would look at complaints of predatory pricing by airlines.

Berlusconi in move to topple Italian PM

Continued from Page 1

by the parties of the centre left. Its majority is most precarious in the 630-strong chamber of deputies where it has to rely in part on the votes of Reconstructed Communism, the hardline of the former Italian Communist Party, to survive. The latter has yet to declare its position and much will depend upon the wording of the confidence motion. But at this stage the government is far from certain to survive.

Even if it survives, the crisis is likely to accelerate the prospect of general elections. Mr Dini had been hoping to stay in office at least until June, the end of the six mooth Italian rotating presidency of the European Union.

But the centre-left parties backing him have been seriously embarrassed by Mr Mancuso's revelations on Thursday that the prime minister for several months endorsed attacks on the power of the anti-corruption magistrates.

US and UK titanium producers in merger

Continued from Page 1

by the end of this year when the merger takes effect.

IMI is the junior partner in the merger. In exchange for transferring its operations to Timet, it will receive new shares that will give it 40 per cent of Timet's equity. Tremont will have 45 per cent and Union Titanium Sponge, a Japanese consortium, the remaining 15 per cent.

But Tremont has an option to buy an additional 8 per cent of the enlarged Timet from IMI over the next three years, and has management control over the combined operations.

Tremont is known in the industry as an aggressive manager of its assets.

However, IMI said that there were no immediate implications for its titanium operations in Birmingham from the ceding of management control.

Major nears Emu pledge

Continued from Page 1

contest, he resisted commitments further ahead saying Britain's opt-out would allow him to study the circumstances at the time.

Mr Major is said to have been emboldened in his position by a growing conviction that a single currency was unlikely in the next six years.

He is understood to have accepted that it would put further distance between the Tories and the opposition Labour party, allowing him to make it a central issue of the next election.

The timing of the announcement is delicate and Mr Major may delay confirmation until closer to the election to minimise any clash with the Tory left.

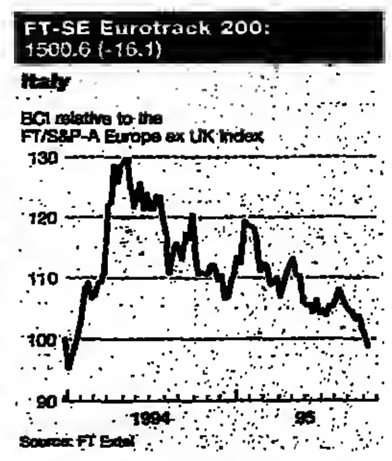
THE LEX COLUMN

Operatic society

The Italian stock market has been an accurate barometer of the health of the government this year, so it is hardly surprising that it plummeted yesterday. The fate of prime minister Mr Lamberto Dini's technocratic administration is in the balance. If Mr Silvio Berlusconi, the former prime minister, fulfils his threat to secure a vote of no confidence, snap elections will be called. And Mr Berlusconi has every interest in accelerating the election process, given an impending court hearing on corruption at his Fininvest business empire.

The latest political crisis is ill-timed. The 1996 budget is due to go to parliament within the next few weeks. If Mr Dini's government falls, the budget will be caught up in an election campaign. And even if he survives the immediate crisis, his administration looks to be on the way out, after being thoroughly undermined by outgoing justice minister Mr Filippo Mancuso. Mr Berlusconi and his allies have already vowed to block the budget. Such fiscal uncertainty bodes ill for financial markets.

This leaves the Italian privatisation programme looking somewhat exposed. The treasury is due to launch a $10bn share offer for Eni next month, one of the largest privatisations ever, but this would almost certainly be shelved if the government falls. And if Mr Dini struggles on, the background for wooing international investors will still remain unfavourable. Either way, the subsequent offerings, for Stet and Enel, look set to be put back on ice.



European motors

The glitz of this week's London Motor Show cannot disguise the fact that Europe's carmakers are having a poor year. Earlier expectations of a 5 per cent increase in annual sales have been undermined by flagging consumer confidence, rising interest rates in continental Europe and the suspension of special tax incentives in France and Spain. The latest forecasts suggest little, if any, growth over 1994's 12m units.

This is particularly galling for manufacturers since 1995 is their peak year for new launches. From the Mercedes E Class to the Fiat Bravo, a quarter of Europe's models by volume are being replaced this year. Given the soggy background, they have cannibalised sales rather than added growth.

Meanwhile, competition is getting tougher. Ford chairman Mr Alex Trotman chose the motor show to warn about the threat from South Korea, which will have the capacity to produce 5m vehicles by 1998 – 3m more than can be sold at home. Many will find their way to Europe.

The big Japanese and US manufacturers are well positioned to meet the competitive threat because they enjoy global economies of scale. Ford and General Motors are increasingly following the Japanese practice of producing world cars rather than different models for different regions. By comparison, even the big Europeans, Volkswagen and Fiat, look boxed in. Given lacklustre volume growth at home, expansion into emerging markets like Brazil and India will become ever more important.

UK retailing

Retail price fixing appears to be nearing the end of its shelf life. Having helped break the net book agreement, Asda is now challenging price maintenance in the over-the-counter drugs market by cutting prices of vitamins and minerals. Still, yesterday's announcement of an Office of Fair Trading investigation does not mean that abolition is a foregone conclusion. The issue is sensitive, since a price war could force small pharmacists out of business. But the anti-abolitionist notion that bargain prices would encourage consumers to take medicine unnecessarily appears rather spurious. A likely compromise solution, abolishing controls on unlicensed products such as healthfoods while maintaining prices of non-prescription medicines supervised by pharmacists, could still hurt the large chemist chains, as well as small operators.

The impetus for change comes not from consumers but from the increasingly powerful supermarket chains as they battle for market share in new product areas. So far, Boots, the largest chemists chain, has proved resilient, helped by the strength of its own-brand products. But the latest threat is likely to cast a shadow over the group's share price. Boots will have difficulty increasing market share sufficiently to compensate for a price war because its market share is already very large. There is also little prospect that a price war will induce consumers to rush out and buy more aspirin. Boots will be hoping that price competition is confined to vitamins and the like, where discounting could conceivably boost consumption.

Private finance

British ministers will doubtless be pleased that Hermes, the pension fund, is sponsoring a £100m venture to invest in privately-financed infrastructure projects. The government's initiative needed a vote of confidence; it will only succeed if investors believe there is money to be made from it. Thanks to Eurotunnel, they are well aware of the opportunities for losing money on these schemes.

The potential upside, though, is real. Unlike Eurotunnel, most of the new projects in the pipeline will ultimately be paid for from future government subsidies. Investors' very nervousness means the government will have to offer them generous deals, protected from political whim, if it wants to see action. For investors wanting access to these opportunities while spreading their risk, the new fund is an attractive model. Given the number of opportunities likely to be on offer, it should be able to pick projects where risks are likely to be best controlled – for instance where the construction contractors have put in enough equity to have an incentive to control costs.

For taxpayers, even if the price is high, better-managed projects can be good news. The real danger for them lies in the illusion that private finance can pay for tax cuts. Using private finance to build a hospital or a prison does not mean taxpayers no longer pay; they pay in future rather than upfront. The result is to shift government borrowing off balance sheet. The markets would be right to conclude that it is, in effect, borrowing all the same.

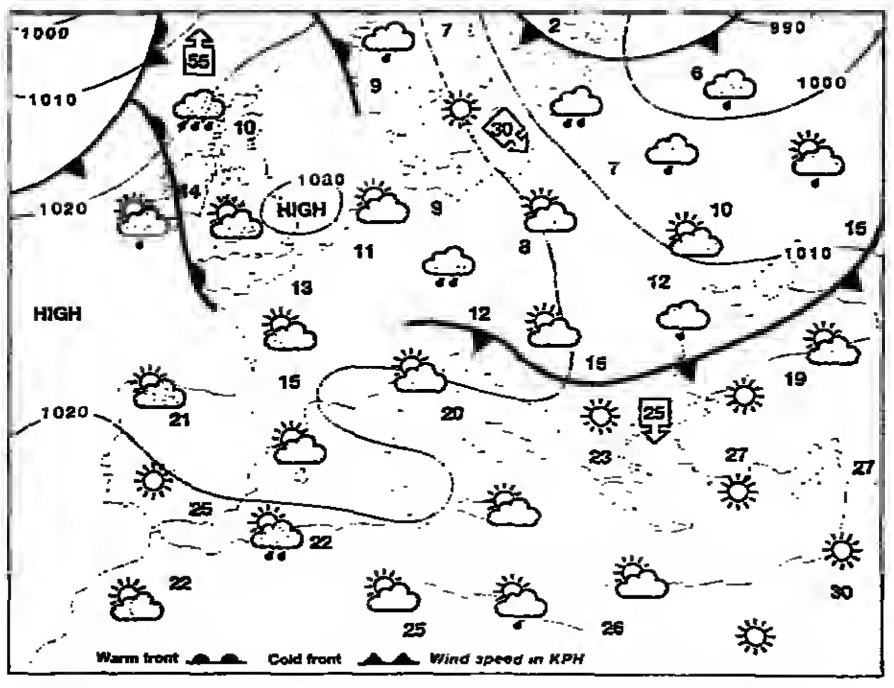
FT WEATHER GUIDE

Europe today

High pressure will build towards the continent, promoting sunny periods in the Benelux and Germany. It will remain cool with afternoon temperatures around 12C. Cloud will linger over parts of the UK and patchy rain is possible in the far west of the continent. Western France will be cloudy with drizzle. Further east, skies will clear and sun will prevail. Southern Spain will have plenty of sun with afternoon temperatures above 20C. More sun is expected in Italy, the former Yugoslavia, Greece and southern Turkey. An old front will cause cloud and isolated showers in Rumania and the Ukraine. Poland will have sunny periods with showers.

Five-day forecast

High pressure will build over western Europe, drawing warmer and drier air towards the Benelux and northern France. Sunny periods will occur during next week and afternoon temperatures will rise slightly. Central Europe will have plenty of sun as the circulation around an area of high pressure draws cool air into eastern and south-eastern Europe. Temperates in these regions will fall further.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	38
Accra	cloudy	31
Algiers	cloudy	23
Amsterdam	cloudy	11
Athens	sun	23
Atlanta	sun	14
B. Aires	fair	26
B.ham	cloudy	12
Bangkok	fair	32
Barcelona	fair	22
Beijing	cloudy	21
Belfast	fair	12
Belgrade	fair	15
Berlin	fair	8
Bermuda	shower	27
Bogota	shower	18
Bombay	cloudy	32
Brussels	fair	11
Budapest	sun	14
C.hagen	fair	9
Cairo	sun	29
Cape Town	fair	20
Caracas	fair	31
Cardiff	drzl	14
Casablanca	fair	22
Chicago	sleet	6
Cologne	fair	10
Dakar	sun	32
Dallas	sun	26
Delhi	sun	33
Dubai	sun	36
Dublin	fair	14
Dubrovnik	fair	21
Edinburgh	fair	11
Faro	sun	23
Frankfurt	fair	11
Geneva	sun	14
Gibraltar	fair	21
Glasgow	cloudy	11
Hamburg	fair	9
Helsinki	rain	5
Hong Kong	cloudy	29
Honolulu	fair	31
Istanbul	fair	18
Jakarta	fair	32
Jersey	cloudy	13
Karachi	fair	34
Kuwait	sun	34
L. Angeles	fair	25
Las Palmas	fair	26
Lima	fair	20
Lisbon	sun	24
London	fair	15
Lux.bourg	fair	15
Lyon	fair	13
Madeira	fair	24
Madrid	fair	22
Majorca	fair	23
Malta	sun	23
Manchester	cloudy	12
Manila	shower	30
Melbourne	cloudy	16
Mexico City	shower	20
Miami	fair	31
Milan	fair	14
Montreal	rain	16
Moscow	rain	6
Munich	shower	10
Nairobi	fair	28
Naples	sun	24
Nassau	shower	31
New York	rain	17
Nice	fair	20
Nicosia	sun	29
Oslo	fair	9
Paris	cloudy	15
Perth	fair	17
Prague	fair	9
Rangoon	fair	34
Reykjavik	shower	5
Rio	cloudy	23
Rome	sun	22
S. Frsco	fair	22
Seoul	fair	22
Singapore	cloudy	32
Stockholm	sun	8
Strasbourg	shower	13
Sydney	shower	17
Tangier	fair	22
Tel Aviv	sun	27
Tokyo	shower	21
Toronto	rain	15
Vancouver	shower	12
Venice	fair	17
Vienna	fair	13
Warsaw	shower	8
Washington	rain	16
Wellington	cloudy	14
Winnipeg	fair	8
Zurich	shower	11

FINANCIAL TIMES
COMPANIES & MARKETS

Monday October 23 1995

MARKETS THIS WEEK

PETER MARTIN:
GLOBAL INVESTOR
Betting on the French stock market is, in part, betting against the collective determination of the French elite. Perhaps that explains why, on most measures, French equities look such a bargain. Yet there is little in the way of buying enthusiasm. Page 24

ROBERT CHOTE:
ECONOMICS NOTEBOOK
A country's material living standards are usually measured by its real gross domestic product (GDP). But this was not originally intended as a measure of economic well-being. Alternative indices have been produced but the numbers that emerge are almost meaningless. Page 24

BONDS:
Until the French franc stabilises and greater clarity amerges about the government's plans to reduce its budget deficit, dealers expect French government bonds to remain volatile. Page 26

EQUITIES:
International investors have been scanning the horizon for large Italian privatisations for so long, they could be forgiven for dismissing the fast-approaching flotation of Eni, the energy and chemicals conglomerate, as a mirage. Page 27

EMERGING MARKETS:
Jordan is establishing itself as one of the more promising emerging markets in tha Middla East following a conference in Amman of Pensions 2000, which represents 57 US pension funds with $500bn under management. Page 25

CURRENCIES:
According to the script, currency markets will take their lead this week from growth and inflation figures to be released in the US, UK and Germany. But political devalopments in Europe are likely to hava an even greater influence. Page 25

COMMODITIES:
This week is tha 10th anniversary of the collapse of tha London Metal Exchange's tin market, when LME members collectively lost £600m ($930m), and the exchange was being written off. Today it is stronger than ever. Page 24

INTERNATIONAL COMPANIES:
Deutsche Morgan Grenfell, the German merchant bank, has approached international investors with a proposal to sell $50m of proxy shares in Gazprom, the Russian group that controls one-third of tha world's known gas reserves. Page 23

UK COMPANIES:
Hanson, the Anglo-American group which recently paid £2.5bn ($3.9bn) to take over Eastern, the UK electricity group, is seeking to raise £1.5bn in the international syndicated loans market. Page 22

STATISTICS

US investor revives Czech stocks

By Anthony Robinson in London

Mr Michael Dingman, who made a personal fortune building industrial conglomerates in the US, has invested $140m in selected Czech stocks to launch a new private investment firm.

Its aim is to make money by helping to raise the efficiency and profitability of newly privatised companies in the former communist world.

The initial purchase of "significant" stakes in seven Czech quoted companies is expected to galvanise the illiquid and stagnant Czech stock market and give fresh impetus to the industrial restructuring of newly privatised companies in other former communist states.

Mr Dingman, the 63-year-old Bahamas-based chairman of Fisher Scientific International and a director of Ford Motor, said the new firm, Stratton Investmeots, would acquire stakes in recently privatised companies and work with incumbent management to improve corporate performance through "hands-on" financial and industrial expertise. The company was already looking at other investment opportunities in Russia and other former Soviet states.

The new company will be headed by Mr Daniel Arbess, the Prague-based former head of the privatisation group of White & Case, the international law firm. Mr Arbess advised the Czech government on several privatisation transactions, including the sale of Skoda to Volkswagen and the recent partial privatisation and restructuring of the Czech oil refining industry. He has also advised the Russian, Kazakh and Vietnamese governments.

The shares were bought from Harvard Funds, the pioneer Czech investment fund created and run by Mr Victor Kozeny, founder of the Czech investment fund industry.

Five years ago Mr Kozeny, who persuaded Mr Dingman to launch his new venture in the Czech Republic, filled a gap in the then Czechoslovak government's first mass privatisation programme by setting up the first Czech investment fund. Now, by selling blocks of shares to a hands-on foreign investor he has helped move the Czech privatisation process closer to what Mr Vaclav Klaus, the prime minister, calls "stage three" of privatisation.

The first two stages involved mass privatisation through the issue of vouchers and the transferral of ownership in over 1,800 state companies to more than 7m Czech privatisation coupoo bolders.

Given the shortage of domestic capital and the inexperience of most domestic fund managers, the government assumed that foreign investors would be needed to set off the "third wave". This requires owners capable of injecting investment capital and know-how to restructure and modernise former state-owned enterprises.

Stratton, by buying packets of shares from Harvard Fund and working with it to create controlling stakes in the as yet unnamed companies, has now emerged as the external force likely to set the "third wave" in motion.

AMD in deal to close gap on Intel

By Louise Kehoe in San Francisco

Advanced Micro Devices, the fourth largest US chipmaker, is to acqnire NexGen, a small microprocessor developer, in a stock deal valned at abont $860m. The deal is expected to allow AMD to close the technical gap between itself and Intel, the world market leader.

NexGen recently announced that it was close to completing development of a chip to compete with Intel's Pentium Pro, a microprocessor that Intel plans to launch next month. The company has no manufacturing facilities and its chips have been prodnced nnder contract by International Bnsiness Machines.

The agreed price represents a small discount on NexGen's Friday closing price of $21¼, before the deal was annomced.

The deal already has the backing of NexGen's largest shareholders including ASCII, the Japanese publishing group, Compaq Compnter, the leading personal computer manufacturer, and Olivetti, the Itallan compnter group. AMD expects to complete the transaction by the first quarter of 1996.

Throngh the acquisition, AMD aims to narrow Intel's widening microprocessor technology lead. While AMD is offering fourth-generation 486 microprocessors, Intel's fifth generation Pentium chips are the standard "brains" of PCs. Computers based on the new Pentium Pro are expected early next year.

AMD, still strnggling to lannch its own version of the Pentium, has seen profits from its microprocessors decline sharply. Earlier this month the company reported a 33 per cent drop in net earnings for its third quarter. The NexGen acquisition could enable AMD to compete swiftly with Intel's Pentium Pro. A "top priority" will be to begin prodnction of NexGen's new chip, said Mr W.J. Sanders, AMD chairman and chief executive.

"The union of NexGen with AMD catapults us into contention for leadership in the market for fifth, sixth and future generations of Microsoft Windows-compatible microprocessors."

Intel has an estimated 80 per cent sbare of the microprocessor market and is on track to achieve revenues of $16bn this year, making it the world's largest chipmaker.

Alice Rawsthorn reports on Investcorp, the company behind names such as Gucci and Saks

Seeking value for money in luxury shops

Gucci has rarely been out of the papers this autumn following the announcement of its forthcoming flotation and rave reviews for its latest fashion collection: but investcorp, its owner, has stayed behind the scenes.

Investcorp first invested in Gucci in 1987 and has played a pivotal part in its transformation into one of the hottest fashion names of the 1990s. Gucci, which announces its share price in New York and Amsterdam today, is the third share issue staged by Investcorp this year and the latest of its high profile deals, inclnding the acquisition and flotation of Tiffany, the New York jeweller, and the $1.6bn takeover of Saks Fifth Avenue, the US stores chain.

Despite the publicity generated by these deals, little is known of Investcorp. That situation seems set to change as the company prepares for further acquisitions and disposals, including Saks.

Investcorp was founded in 1982 by Mr Nemir Kirdar, who fled to the US from his native Iraq in 1969 and became vice-president of Chase Manhattan and the head of its activities in the Gulf. Mr Kirdar said in an interview that he conceived Investcorp as "a bridge" between the Gulf, where oil wealth bad created surplus funds, and the US, wbere the recession had left a number of companies in need of new capital.

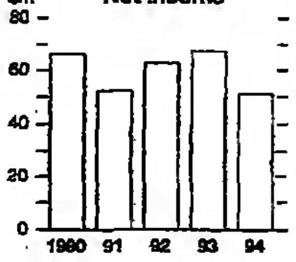
investcorp identifies corporate investment opportunities for Gulf investors in medium-term recovery stocks in the US or Europe, typically in well-established brand names. It then works with management to improve the company's performance until it is ready for sale or flotation, ideally within five years. Its clients lock up their investment until the company is ready thereby giving it time to convalesce.

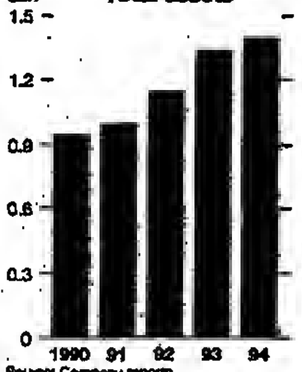
Investcorp is something of an oddity in banking circles. It is quoted in Bahrain, where all its shares are traded except for the 37.5 per cent owned by management. But it is, as one Middle Eastern financier said, "by far the most westernised" of Gulf-based companies.

When Investcorp buys a business, it pays partly casb and partly debt from western banks. Its Bahrain office then syndicates the equity among Gulf investors generally keeping up to 10 per cent. Some investments have gone smoothly, such as Tiffany, whicb Investcorp bought for $135m in 1984 from Avon, the US cosmetics company. Tiffany went public in 1987 and Investcorp has since divested, giving its clients an annual rate of return of 174 per cent.

Other transactions have been rockier. Investcorp has bought 39 companies and sold 23 since 1982, helping it to geoerate more than $550m from the two $50m tranches of capital its investors raised in 1982 and 1986. However, it closed its five-year-old trading operation last year after it lost $8m and some corporate investments have proved problematic.

What's in the bag
Investcorp





Source: Company reports

Investments	1994
Saks Fifth Avenue: US specialty fashion retailer with 70 stores nationwide	$80.73m
Camelot: specialty retailer of recorded music with approximately 400 stores in the US	$71.61m
Gucci: Italian manufacturer of luxury leather goods, apparel and accessories	$58.91m
Burnham Service Corp: distribution and transportation service company	$39.95m
Mondi: German-based fashion group	$14.03m
Société Nouvelle Chaumet: manufacturer and retailer of exclusive jewelry, timepieces and other luxury goods	$13.36m

Nemir Kirdar, president and chief executive officer

The New York Department Stores chain in Puerto Rico fared so badly that Investcorp abandoned hope of recovery and returned the original investment to its clients. Other difficulties have simply taken time to resolve, notably Gucci whicb Mr Kirdar described as "a nightmare" in its early days.

Investcorp initially bought the 50 per cent of Gucci owned by the squabbling cousins of Mr Maurizio Gucci, who owned the rest. Mr Gucci had ambitious plans to rationalise the business and reposition Gucci as a modern luxury brand. He had a flair for strategy, but soon clashed with Investcorp over costs. Investcorp hought out Mr Gucci, changed the senior management and brought in Bain, the management consultancy.

Gucci bas since returned to the black with net profits of $24.8m on sales of $206m in the first half of 1995. Demand for its shares is so high that investcorp last week said it was raising the proportion of equity on sale from 30 per cent to up to 49 per cent.

investcorp is now looking for new investments to replace Gocci. But Mr Kirdar bopes to improve the quality, rather than the quantity of its investmeots. He believes Investcorp's resources are fully utilised in monitoring its 16 existing corporate investments and is reluctant to increase the 200-strong staff for fear of jeopardising its consensual management style.

Investcorp's chief challenge is the eventual sale of Saks Fifth Avenue. The $1.6bn acquisition is not only Investcorp's largest transaction to date, but Saks has a high profile as one of the most prominent US retailers. Unfortunately for Investcorp, the acquisition preceded two tough years for US retailing and Saks fell behind target. Investcorp staged a $300m capital increase for the company in 1992 thereby enabling it to renovate existing stores and open new ones.

Mr Kirdar says Saks has come back on track. It still has some way to go before it can be floated or sold, hut he hopes it will ready in a year or two. investcorp will then be under the spotlight once again.

This week: Company news

JAPANESE ELECTRONICS

Strong demand despite sluggish home economy

Several leading Japanese electronics companies will report their first-half results this week which should reflect firm performances amid a generally sluggish domestic economic environment.

On Tuesday, Matsushita, the consumer electronics group, will announce its results for the six months to the end of September. The period saw strong demand for products ranging from cellular phones to air conditioners and semiconductors, which is expected to have made a large contribution to Matsushita's results.

The company is a leading maker of cellular phones as well as air conditioners, which sold strongly during an exceptionally bot summer.

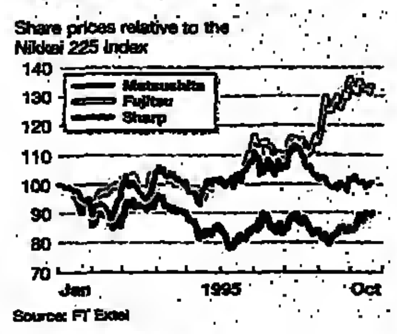
Fujitsu, the high technology group, will report its first-half results on Wednesday. These are expected to confirm the growing popularity of personal computers in Japan and the continuing strength of worldwide demand for semiconductors.

In the PC market, the company is believed to have increased its share of the Japanese market significantly through an aggressive marketing campaign which includes bold price cuts. Strong demand for semiconductors has led Fujitsu to adopt a more active investment programme in that sector.

When Sharp, the Osaka-based electronics maker, reports its first-half results on Thursday, they are likely to reflect firm demand for its components, consumer products which use liquid crystal displays and cellular and PHS handsets.

Liquid crystal displays have come into wide use in video cameras and notebook computers and while competition has intensified, Sharp is still the leader with about 40 per cent of the market.

Japanese high-tech stocks



Source: FT Extel

OTHER COMPANIES

Commerzbank to lead German bank results

Commerzbank kicks off the nine-month reporting season of the big German banks on Thursday in a year when earnings in the sector have been patchy and the banking environment has become more competitive. The bank, which will raise about DM1bn ($699m) through a share sala next month, reported a doubling of operating profits to nearly DM900m at the six-month stage, outpacing its rivals.

■ **Japanese brokers:** Figures today are expected to highlight the differences between the "Big Four" brokers – Nomura, Daiwa, Nikko and Yamaichi – and smaller houses. The Big Four expect improved recurring profits while Nikko and Daiwa last month announced that they would return to the black after reporting losses for the previous year. Second and third-tier brokers expect weak earnings figures because of their reliance on brokerage commissions from retail investors, who have yet to return to the market.

■ **Oil majors:** The seasonal dip in the oil majors' third quarter earnings data, which start to flow today with figures from Mobil, Arco and others, is expected to show annualised growth still well ahead of 1994, and some cause for concern in commodity chemicals prices. Profits are expected to be around 15 per cent lower than in the second quarter, mainly because of the August "hole" in European sales when much of industry closes for the holiday season.

■ **Daimler-Benz Aerospace:** The aviation division of Germany's biggest company which groups together 80 per cent of the country's aerospace industry will today announce details of a long-awaited restructuring, designed to combat problems created by the falling dollar and a stagnant market for regional jets.

■ **SKF:** The Swedish group, which is the world's leading manufacturer of rolling bearings, is expected to report profits of about SKr2.7bn ($326m) when it reports its nine-month figures on Wednesday. The result will more than double last year's SKr1.14bn, reflecting stronger demand, cost cuts and increased market share.

■ **UAL:** United Airlines' parent is expected to post earnings per share down from $10.05 to $8.93 tomorrow. Consensus forecasts have risen 8 per cent during the past month after the airline said it would beat Wall Street estimates.

Delta reports first-quarter results on Thursday and is expected to post earnings per share up from 99 cents to $2.64. *AFX News, New York.*

■ **Adidas:** The German sports shoe and clothing company will give details of its planned flotation – expected to raise about DM1.5bn ($1bn) – on Thursday. Tha issue will take place in November, with half the company's shares being sold to the public.

■ **Philips:** Third-quarter figures from the Dutch electronics group are expected to rise to at least Fl550m-Fl600m ($344m-$375m), before extraordinary results, from Fl455m in the strong third quarter of 1994. The increase represents a slowdown from the rises of 110 per cent and 45 per cent in the first and second quarters.

■ **Wolseley:** Analysts expect the UK heating and plumbing equipment distributor's annual pre-tax profits to rise from £202.3m to about £245m ($380m) when it reports tomorrow.

■ **McKechnie:** Brokers expect the UK plastics and metal components manufacturer to report annual pre-tax profits of about £45m ($70m), compared with £35.3m last time.

■ **ICI:** On Thursday, third-quarter results from the UK chemicals group are expected to confirm that a slowdown has set in, with pre-tax profits for the three months of about £240m ($372m). The impact of falling chemicals prices will not yet have affected the group, thanks to the time-lag in contract prices. But weak demand in July and August, and a provision for the year's second litigation settlement by the US explosives division, will have done so.

■ **Smiths Industries:** Strong contributions from the UK group's medical equipmeot and industrial divisions are expected to lift pre-tax profits from £104.6m to £135m-£140m ($212m-$220m) when the company reports full-year figures on Wednesday.

Companies in this issue

COMPANIES AND FINANCE

Loan to refinance comes at a difficult time in the syndicated market

Hanson seeks to raise £1.5bn

By Antonia Sharpe

Hanson, the Anglo-American conglomerate which recently paid £2.5bn to take over Eastern, the electricity group, is seeking to raise £1.5bn in the international syndicated loans market.

Chemical Bank and NatWest Markets, the investment banking arm of National Westminster Bank, have been appointed to arrange the five-year revolving credit facility which is likely to be one of the largest corporate loans this year.

Hanson's loan, which will refinance existing borrowings and is also for general corporate purposes, has emerged during a delicate time for the market.

On the one hand, banks are showing resistance to a further fall in borrowing margins and on the other, lending by Japanese banks, the largest single group operating in the market with a share of about 15 per cent, is being hampered by e steep rise in their funding costs.

The interest rate on a syndicated loan is calculated as a margin over the London interbank offered rate (Libor), the rate at which banks lend to each other.

Fierce competition among banks has caused margins to halve over the past two years and these are now at levels last seen in the mid-1980s.

Over the past few months, banks have become increasingly reluctant to participate in aggressively priced deals and have only done so in order to preserve their relationship with the borrowers.

However, some leading banks declined to participate in a recent £700m facility for BTR, the UK industrial group, which secured a margin over Libor of just 11¼ basis points (a basis point is one hundredth of a percentage point).

Although BTR's loan was completed successfully, the absence of some of the bigger banks could be seen as a warning to other borrowers that they risked alienating their bankers if they pushed for finer terms.

Tha pricing on Hanson's loan is believed to be 12½ basis points over Libor, plus a commitment fee of 6 basis points on the undrawn element of the facility. Although the loan is double the size of BTR's, the extra basis point should comfort bankers who had feared Hanson would seek to improve on BTR.

Hanson's strong banking relationships should ensure that the facility is well supported by the market. A group of co-arrangers is expected to be announced early this week, after which the loan will be launched into general syndication.

Pub chain aims for £18m via placing

By David Blackwell

Tom Cobleigh, the independent pub chain that is coming to market, will launch its pathfinder prospectus along with the interim results tomorrow.

The chain, which will be aiming for a market valuation of about £50m, intends to raise £18m through a placing. The money will be used to cut debt, redncing gearing from more than 100 per cent to 15 per cent, and increase the scope for expansion.

On flotation the group will bave 46 managed houses, which will account for 90 per cent of sales. The pubs, along with a tenanted estate of 34, are mainly in the east Midlands, Yorkshire and Humberside.

The group was founded by Mr Derek Mapp, now managing director, with a single pub in 1992. Mr Mapp, who was once a pub tenant for two years, spent 10 years as retail director at Mansfield Brewery.

Mr Mapp and the management own 25 per cent of the shares, with the rest in the hands of European Acquisition Capital, a small venture capital fund. Neither party is planning to sell any shares; EAC is expected to have about 45 per cent and the management abont 10 per ceot after the float.

The rapid expansion of the group, which relies for only 30 per cent of its profits from the discount on wholesale beer prices, is based on retail trading. "We have a clear focus on very traditional pnbs where food is important," said Mr Mapp, who believes his natural competitors are the supermarkets rather than other pubs.

"There are a growing number of people who want the luxury of a meal out, with no washing up, but they are still looking for valne for money."

He also believes that the retail market is ripe for expansion. In the first 18 months the group built two pubs on greenfield sites, and it is planning another eight next year.

Sponsor to the flotation is Samuel Montagu, with Hoare Govett as stockbroker.

Bermuda showdown in £350m Chile contest

Richard Lapper reports on the closing stages of the fight for control of the £350m GT Chile fund

The battle for control of the £350m GT Chile Growth Fund comes to a head this afternoon when two extraordinary general meetings of shareholders take place in Bermuda. But after the heat which has been generated by the fierce arguments of the last two months, the denouement in an office at the Bank of Bermuda's headquarters in Hamilton is likely to be a low-key – albeit tense – affair.

With most shareholders casting proxy votes, it seems likely that the only attendees will be members of the GT board and representatives of Regent Kingpin, the investment management group which has been seeking to take over the annual contract – worth some $9m a year – to manage the fund.

On the surface, the GT Chile Growth Fund seems an unlikely target for shareholder action. Since its formation in 1989, the offshore fund bas earned handsome returns for its investors, many of which are UK investment institutions.

A £1 stake invested in 1989 would now be worth more than £5, assuming all dividends were reinvested – an enviable 40 per cent compound annualised return.

But dissidents led by Regent Kingpin, which is majority-owned by Hong Kong-based Regent Pacific, argue that other Chilean funds have achieved better performance.

In addition, they are critical that the fund's shares trade at a discount to the value of the underlying Chilean shares which it owns. The discount, which has been as high as 35 per cent in the last year, makes it difficult for shareholders who want to sell to obtain the full value of their investments.

Regent says the matter can be addressed relatively simply: it is proposing that all shareholders be allowed immediately to exchange all their shares for cash at formula asset value (net asset value less withholding tax and expenses).

The GT board, however, argues that this would be illegal under Chilean law. With the help of Barings, its investment bank adviser, it has proposed a complex schame which would allow shareholders the right to surrender immediately up to a third of their shares ln exchange for cash at formula asset value.

This would be achieved through an innovative piece of financial engineering called a rights entitlement offer, with the rights to surrender shares at FAV trading for a limited period on the London market.

Subsequently, the board is promising to restructure the fund in order to make it easier for shareholders to move in and out of the fund.

The arguments have become increasingly fraught since Regent announced its proposals on September 26, with GT even complaining to Imro, the UK investment management regulator, about Regent's claims regarding the legality of its own scheme under Chilean law.

The outcome – to be decided by a simple majority vote at both meetings – is finely poised. Regent says that it is confident of winning more than 30 per cent of shareholders' votes. But the board, too, has been campaigning hard.

Irrespective of the result, shareholders seem to have benefited from the battle. Mr John Szymanowski, investment trust analyst at SBC Warburg, notes that over the last few months the price of the fund has risen and the discount to NAV has narrowed.

Although it has since widened to 18 per cent following e dip in the Chilean market, last month the discount narrowed to 13 per cent.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Ivax (US)/Hafslund Nycomed (Norway)	Ivax Nycomed (US/Norway)	Pharmaceuticals	£2.1bn	Merger continues global consolidation
Statoil (Norway)	Aran Energy (Ireland)	Oil	£203m	Agreed bid trumps Arco
National Westminster Bank (UK)	Gleacher & Co (US)	Banking	£85.4m	Trend-setting boutique buy?
Siemens (Germany)	Unit of Mercury Communications (UK)	Telecoms equipment	£80m	Total cost of 75% stake
Daewoo (S Korea)	Steyr-Daimler-Puch (Austria)	Engineering	£63m	Continues Europe build-up
CRH (Ireland)	Cementownia Ozarow (Poland)	Cement	£36.6m	Stake via local holding
Rentokil (UK)	GMIC (Belgium)	Security services	£19.7m	Mayne Nickless disposal
National Westminster Bank (UK)	Capital Privé (France)	Financial	n/a	Buying out JV partner
SSA (US)/Softwright	Merger	Computer services	n/a	MBO exit by merger
Seamico Securities (Thailand)	Marlin Partners (UK)	Broking	n/a	Cash + paper deal

YJ Lovell chief to take early retirement

By Geoff Dyer

Mr Robert Sellier is to stand down next month as chief executive of Y.J. Lovell, the struggling builder and property developer, eight months ahead of plan.

Mr Sellier, who will be 62 next month, had intended to retire next August. However, problems at the group whicb have led it to close its private house buildiog busioess prompted bim to bring his retirement forward, be said yesterday.

He will be replaced by Mr David Heppell, current president of Lovell America, who joined the group in August 1994 from George Wimpey.

Lovell announced in March that Mr George Miller, managing director of the construction division, would steo into the cbief executive's position on Mr Sellier's retirement. But Mr Miller had decided not to take tbe job for "personal reasons", the group said.

In 1993 Lovell was forced into a rescue refinancing which included a £45m debt-for-equity swap and a £30m placing and open offer, whicb helped it return to profit last year. However, the weak housing market led lt to announce the closure of Lovell Homes in July.

Mr Sellier joined Lovell in 1991 from George Wimpey, where he had been one of three group managing directors. He is also a non-executive director of Welsh Water. He said his early retirement bad been a "joint decision" between him and the board and was not the result of a "boardroom coup".

He was paid £292,000 in salary and benefits last year and bis contract with the gronp ends on August 3, 1996. He described as "fanciful" some reports that he would receive a £500,000 pay-off.

Trust admits 'oversight' on director's connections

By William Lewis

Murray Income Trust, managed hy Murray Johnstone, is today set to apologise to shareholders for failing to disclose important details about one of its directors.

Shareholders atteoding Murray Income Trust's annual meeting will be told that Sir Raymond Johnstooe, a director, is also chairman of Lomond Underwriting, a bolding company for five corporate members of the Lloyd's insurance market.

Murray Income bolds an investment valued at more than £7m in Lomond Underwriting – its second largest unlisted investment represeoting 2.4 per cent of its fund.

Lomond's latest report and accounts state tbat Sir Raymond is an underwriting member of Lloyd's "and participates on some of the syndicates in which Lomond is involved".

Murray Income said on Friday that it had made an "oversight" in failing to disclose Sir Raymond's connection with Lomond. It said Sir Raymond's directorship was disclosed in the annual report of Murray Ventures where Sir Raymond is also a director. Murray Ventures, managed by Murray Johnstone, is also a sharebolder in Lomond.

"No rule has been broken, but it is quite clear it is an oversight," the trust said. Murray Income also stresses that in comparison witb other trusts it "provides substantial amounts of information".

Its annual report gives the names of six other companies of which Sir Raymond is a director.

Sir Raymond said: "It is oot unusual for me to be in the same syndicate as another member of Lloyd's."

However, Pirc, the corporate governance consultancy, has expressed concern about the omission. "Our sbareholder guidelines consider investment relationships of this kind affect directors' indepeodence," Pirc said.

Tbe consultancy bas also bighlighted Sir Raymond's long connection with Murray Johnstone, manager of Murray Income. Sir Raymond joined Murray Income as a director in 1989, tbe same year be retired from the post of managing director.

Pirc says: "We do not regard Sir Raymond as independent for the purposes of compliance with the Cadbury Code."

Murray Income is chaired by Lord Younger of Prestwick, a former defence secretary and current chairman of the Royal Bank of Scotland. At its annual meeting, being beld in Glasgow, shareholders are also expected to elect Sir David Trippier, former minister for small business, on to the board.

Murray Income's memorandum of association empowers the board to donate funds "for any purpose which may seem likely to further the objects of the company or the interests of its members". Last year it gave £5,000 to tbe Conservative party.

It reported a total return on net assets of 13.4 per cent for the year to June 30, representing a modest underperformance of the benchmark FT-SE-A All-Share Index, whicb rose 14.8 per cent during the same period.

Net asset value improved 9.4 per cent, from 314.4p to 344p per share.

B&W drive focuses on core

By Alison Smith

Bristol & West, the UK's ninth largest building society, today launches a television advertising campaign intended to drive bome the message that, unlike some other financial institutions, it is focusing on its core business.

Mr John Burke, B&W chief executive, said the move to strip out non-core activities – such as unsecured loans and health insurance – was in contrast to many other financial organisations.

The picture of B&W as an organisation focusing solely on mortgages, savings and investments also contrasts somewhat with its current range of activities.

It still owns Hamptons, an estate agency with about 50 branches, and it still offers a current account with a cheque book and access to cash machines.

B&W said that both those aspects of its business were under review. Even so, it is currently more diversified than some other building societies, such as Yorkshire, which are seeking to differentiate themselves by focusing on a narrower spread of business.

B&W is likely to decide what to do about its cheque book account early next year, and is at present considering offers for Hamptons branches, although it is not committed to selling.

Bnt the news last week that Cornerstone, the independent estate agency chain, had put 70 of its branches into receivership may now make it harder to dispose of Hamptons.

The initial television advertising will last about five weeks and the whole campaign is expected to run for three years with a budget of £8m.

NEWS IN BRIEF

JONES & SHIPMAN bas bonght Goodwin Electronic Measuring Systems, a Cheshire-based motion control manufacturer which is one of its main snppliers, for £595,000.

PLYSU, the plastic container manufacturer, is buying AMK Plastics, a maker of bottles for the toiletries, healthcare and automotive markets. AMK, based near Cardiff, has turnover of £7.5m.

PMI DATA, a subsidiary of Photo-Me International, has paid £3,003 for Macrodata, a lossmaking plastic card company that employs two.

RMC GROUP rights issue has received acceptances in respect of 46.98m new ordinary shares (94.9 per cent).

TORDAY & CARLISLE is to sell its surplus industrial property comprising Unit 6, Beeston Royds, Leeds for £1.73m cash.

هكذا من الأصل

COMPANIES AND FINANCE

GDR proposal values Gazprom at $23bn

By John Thornhill in Moscow and Robert Corzine in London

Deutsche Morgan Grenfell, the German merchant hank, has approached international investors with a proposal to sell $50m of proxy shares in Gazprom, the giant Russian company which controls one third of the world's known gas reserves.

The speculative deal, the first attempt to attacb a market value to Gazprom's equity, gives Russia's biggest company en implied valuation of $23bn. That ranks it among the most valuable energy companies in the world – altbougb Gazprom's directors have said it is worth 10 times more.

Given the tight restrictions on foreign ownership of Gazprom shares, Deutsche Morgan Grenfell has had to devise a complex structure for the deal. The bank is aiming to issue unlisted global depositary receipts in a Russian company, Energomashexport-Invest, wblch was set up expressly for the deal. It bought the Gazprom shares from Russian Investors, and the shares are its sole assets.

In its private placement memorandum, the hank stresses the risks in copious detail. There is no guarantee that the GDRs will ever be exchangeahle for Gazprom shares nor that the company will waive its pre-emption rights. "An investment in the GDRs is highly speculative, involves a very high degree of risk and may result in loss of the entire investment," the document states.

One fund manager who has been offered the shares said: "My sense is that the implied valuation is rich when compared with other Russian companies in the current market, especially given the questions relating to liquidity."

The private placement coincides with efforts by Kleinwort Benson, the UK merchant bank, to organise an official deal between Gazprom and a core group of international energy companies. Those efforts are said to have reached a "delicate" phase, according to officials close to the talks.

Negotiations on a trade sale have been dragging nut this year after it became apparent that the original plan for an institutional offering could not proceed because of a lack of reliable financial information about Gazprom.

Tha bank says a share offering to foreign institutional investors is still planned, hut the priority is to secure a trade sale to establish a credible market value for the company.

Earlier this year the bank said a core group of trade boyers would form "a nugget of demand" for the 9 per cent tranche of sbares that Gazprom wants to sell.

Although analysts say trade huyers might have a more "instinctive" feel for the state of Gazprom, they too are demanding detailed information on the Russian company's financial health. Ona western company which has held talks with Gazprom last week said any trade sale would have to be more than "symbolic", and would have to include specific commitments to undertake particular projects.

A 60-member Gazprom delegation is due in London this week for talks with government officials and a number of British companies. Thesa inclnda British Gas, Shell, Rolls Royce, and John Brown, the engineers.

C&W Europe seeks role in telecoms alliance

By Andrew Hill in Milan

Cable and Wireless Europe, the Anglo-German telecommunications joint venture, wants to join the global telecoms alliance under discussion between IBM, the US computer group, and Stet, Italy's state-controlled telecoms bolding company.

The addition of Cahle and Wireless Europe – which is jointly owned by Cable and Wireless of the UK and Veba, tbe German industrial conglomerate – would provide a strong pan-European leg to the IBM-Stet alliance.

IBM and Stet reached a preliminary agreement in August on the formation of a partnership, which would offer international husiness and private clients a selection of networked telecom and computer services.

Officially, the companies are still considering a range of possible allies. But It is understood that in the past few weeks, Cahle and Wireless Europe has stepped np its efforts to join the accord.

Until recently, Veha was examining another Italian option. Through its main telecoms subsidiary Vebacom – 45 per cent of which is owned by Cable and Wireless – Veba was talking with Kirch, the German media group, about buying a 5 per cent stake in Mediaset, which groups together Mr Silvio Berlusconi's television and publicity interests.

Kirch is committed to buying 10 per cent of Mediaset as part of an international consortium which agreed in July to acquire 20 per cent of the company from Fininvest, Mr Berlusconi's holding company.

However, it is understood that in the past few weeks Veba decided it would be unwise to diversify into direct television investment and to concentrate instead on exploiting the potential synergies between Cable and Wireless Europe's operations in different European countries and the fledgling IBM-Stet accord.

A three-way alliance would help Stet catch up with existing international alliancea, ahead of the planned sale of the Itallan government's majority stake in the company. IRI, the state holding company which owns the shares, is now aiming for full privatisation of Stet, which controls Telecom Italia, Italy's domestic phone company, and Telecom Italia Mobile (TIM), the cellnlar phone company, in the first half of next year.

At the moment, Cable and Wireless Europe's Italian operation is a direct competitor of the state-controlled companies. The subsidiary is in separate discussions with Fininvest about using its television transmission infrastructure to develop a city-based "personal communications network".

Veba's domestic telecoms expertise is concentrated in Vebacom, which has the ambitions and the resources to become one of Germany's leading private telecoms operators.

Vebacom is one of the two major shareholders in E-Plus, Germany's third mobile phone network and the first based on the DCS 1800 standard. Vebacom is also developing a corporate network and has a 10 per cent stake in the Iridium global satellite communications system.

KPN offering priced at Fl 55 a share

By Ronald van de Krol in Amsterdam

The Dutch government yesterday priced its offering of 100m shares in Koninklijke PTT Nederland (KPN), the country's partially-privatised telecommunications and postal company, at Fl 55 ($35.14) each, unchanged from Friday's closing price.

The pricing confounded some analysts' predictions that institutional investors would be offered a slight discount. Retail investors were told in advance that they would receive a discount of Fl 2.50 per share on up to 100 shares allocated. From the start, the government said the prevailing market price would be the "yardstick" for the price of the second tranche.

The public offer – the largest in the Netherlands this year – was twice subscribed, with total demand running at more than 200m shares.

Details of the price and size of allocations were announced yesterday afternoon ahead of KPN's trading debut today on the New York Stock Exchange.

KPN's shares have been listed in Amsterdam since June 1994, when the Dutch sold off a 30 per cent holding to raise Fl 6.6bn after costs. The latest tranche reduces the state's ownership to about 48 per cent. This may fall to about 45 per cent if the issue's underwriters, led by global co-ordinator ABN Amro Hoare Govett, decide to exercise their "green shoe" option to sell an additional 15m shares to meet excess demand.

Mr Wilco Jiskoot, ABN Amro's director-general of merchant banking, said the bank had never seriously considered offering a discount to institutions and expressed surprise at speculation that this would occur. At the same time, he described the unchanged price of Fl 55.00 as a "sign of strength" for the company's standing in the investment community.

Dutch institutional and retail investors took up 55 per cent of the offer, with international markets accounting for the rest.

NEWS DIGEST

Trygg-Hansa stages turnround

Trygg-Hansa, the Swedish insurer, posted a SKr2.48bn ($370m) operating profit in the first nine months in a sharp rebound from a SKr995m loss a year earlier. It benefited from a SKr1.45bn gain from the sale of some Swedish property boldings and from a turnround in the performance of its property/casualty insurance operations.

The insurer is also putting behind it a disastrous involvement in the US insurer Home Holdings. Home's business was transferred to Zurich Insurance of Switzerland in June and Trygg's shareholding in the company will gradually be acquired by Zurich over the next eight years.

Trygg'a core property and casualty business recorded profits of SKr479m, after a loss of SKr128m. The group reported "fierce price competition" but said claims had been much lower than last year, falling from SKr4.94bn to SKr3.87bn. Last year'a figures were aggravated by claims arising from the sinking of the Baltic ferry Estonia in September 1994.

The group's total result, including the full impact of its investment performance, swung to a SKr2.4bn profit from a SKr1.87bn deficit. Investment activities benefited from falling interest rates and rising share prices.

Christopher Brown-Humes, Stockholm

Japanese banks downgraded

Japanese banks, already facing a rise in international funding costs due to increasing worries over the country's financial system, were dealt another blow as Moody's, the international credit rating agency, lowered the ratings of three financial institutions.

Long-term debt ratings of Hokkaido Takushoku Bank, Nippon Credit Bank, and Chuo Trust and Banking, which are among the country's 21 leading banks, were lowered from Baa2 to Baa3, the lowest within the investment grade.

The downgrades are likely to widen the "Japan premium", the extra funding cost which Japanese banks face in the international financial markets which has emerged following the spate of Japanese financial institutions' collapses and the Daiwa Bank affair.

Merita Bank to sell Swiss arm

Merita Bank, Finland's newly-formed largest banking group, has agreed to sell its Swiss subsidiary Nordfinanz Bank Zurich to Union Bancaire Privée (UBP), a privately-owned Swiss bank for a price expected to be about SFr550m ($482m). The sale is part of Merita's strategy of concentrating on its core Finnish business following the creation of the bank earlier this year from a merger of Kansallis-Osake-Pankki (KOP) and Union Bank of Finland (UBF).

Nordfinanz, which provides private banking and asset management services, was previously a wholly-owned subsidiary of KOP. Only about 20 per cent of its private client base is in Finland.

Nordfinanz made a declared profit of about SFr20m last year, although under Swiss banking laws it can keep hidden reserves. The sum of SFr550m is 1¼ times the bank's published book value. Sources close to the company said the deal's value was at a premium to hidden book value plus a percentage of funds under management.

The final price UBP will pay will be set on November 30. Merita will receive part of the payment in the form of an extra divided of up to SFr230m from Nordfinanz. Merita should earn a capital gain of about FM280m ($66m). The Finnish bank has forecast a small profit this year after four successive years of losses by KOP and UBF. Merita was advised by Morgan Stanley.

Hugh Carnegy, Stockholm, and Paul Abrahams, London

Deadline given to Czech bank

By Vincent Boland and Kevin Done in Prague

Ceska Banka, a small private Czech hank that has heen placed in administration by tbe Czech National Bank, yesterday suspended withdrawals by its 16,500 customers after it ran out of cash.

The CNB began rescinding Ceska Banka's licence on Thursday after it sustained big loan losses, severely damaging its capital adequacy ratio. It has been given seven days to devise a rescue plan, but Mr Josef Tosovsky, central bank governor, said he did not expect a "miracle solution".

Softbank in talks on US acquisition

By William Dawkins in Tokyo

Corporate Japan is back on the US acquisition trail, with negotiations hy Softbank, Japan's largest distributor of computer software, to buy Ziff-Davis Publishing, for more than Y145bn ($1.45bn).

Mr Masayoshi Son, Softbank's president, has revealed that he is seeking agreement on the price with the owners of Ziff-Davis, one of the largest computer magazine groups in the US, with sales estimated at nearly $1bn annually. The potential seller is Forstman Little, a New York investment group, which paid the equivalent of Y145bn for 94 per cent of the company late last year.

Mr Son has said that Softbank is prepared to pay more than the earlier purchase price, for 100 per cent of the shares, on the grounds that "Ziff-Davis has been making good progress in its business". Forstman Little has the right to sell the remaining 6 per cent of shares, held by the publishing group's family owners.

If successful, this will be the biggest takeover so far in a series of ambitious Softbank acquisitions over the past two years. The Japanese group had turnover of barely $900m in the year to last March.

But Mr Son denied he risked overpaying for Ziff-Davis. "It is a company making high profits and we can expect high returns," he said. He declined to disclose details of Ziff-Davis' profitability, on the grounds that the group is unlisted.

Mr Son started Softbank 14 years ago, using the profits from a pocket translator he developed while an economics student at the University of California. Softbank has had its eye on Ziff Davis's publishing division ever since it paid $202m last year for the group's trade show unit, Ziff-Davis Exposition and Conference.

It narrowly failed, at the time, to buy the whole group, including Ziff-Davis Publishing, after being outbid by the better capitalised Forstman Little. Undeterred, Mr Son went on early this year to pay $800m for the computer trada show division of Interface, a US exhibition group, funded by a mixture of new equity and bank borrowing. Trade exhibitions are an efficient method of selling software, he argued.

The Japanese company is planning to fund some of this latest purchase by issuing 2.8m new shares, to raise Y63.3bn. The balance would come from bonds and other forms of debt.

CONTRACTS & TENDERS

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / **Peter Martin**

A test of the elite's collective nerve

Betting on the French stock market is, in part, betting against the collective determination of the French elite. Perhaps that explains why, on most measures, French equities look such a bargain.

The French market is selling at less than 12 times earnings, compared with a European average of 14.5. It is yielding 3.75 per cent, historically an attractive level. And, as the left-hand chart shows, it has significantly underperformed the European average in recent months – surely a sign that a re-rating is overdue?

Yet there is little in the way of buying enthusiasm. The only brief flicker of excitement recently came on October 9 when the franc came under attack and interest rates rose.

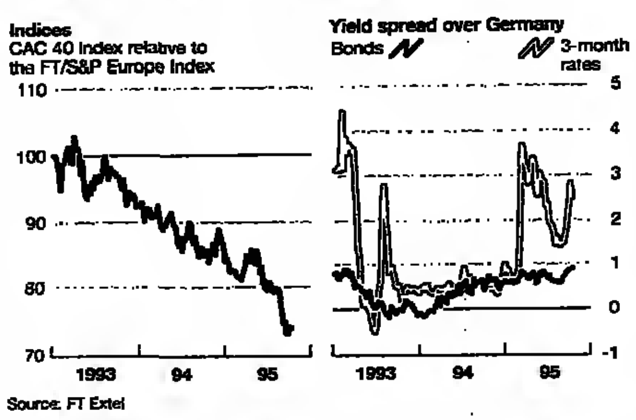
Normally that would be a precursor to falling share prices. Instead, briefly, they jumped. For no more than an afternoon, investors felt that the interest rate rise was unsustainable, and that at some point France would have to abandon its attempt to hold up the franc. That would yield a devaluation-led growth in export earnings, and a sharp drop in interest rates.

The further you get from France, the more plausible that argument seems. Indeed, US investors recently ranked France as the most attractive of the European stock markets. From their point of view, the numbers are attractive and the possibility of a post-devaluation rally more than offsets the currency risk.

The closer you look, however, the less attractive the prospect, which explains why the October 9 recovery was so short-lived. Recent events can be seen either as confirmation that pressure is building up to intolerable levels within the French economy and political system – or as signs that the government and the elite are prepared to pay almost any price to achieve national goals. If the latter, there is a lot more pain to be endured.

Look at those developments in close-up. In response to a none-too-serious bout of franc weakness two weeks ago, the central bank raised overnight interest rates. This week, that rise spilled over into the retail money markets, where individuals and business start to be affected. The rise in bank base rates came too late to influence the recent surveys of industrial outlook and consumer confidence. But those were already gloomy enough. Consumers in particular have abandoned the mood of optimism that briefly affected them after the election of President Chirac on a mandate for change. Now they have swung sharply back towards pessimism.

A market that looks cheap



Source: FT Extel

Although by most real-world economic standards France has already achieved the convergence with Germany that would make monetary union a realistic option, it has not yet convinced the markets that it will manage to comply with the government-deficit criterion inserted into the Maastricht treaty at the insistence of the Bundesbank. If France does not achieve this convergence criterion, it will be unable to attain the political rewards of monetary union, the shift of power from the Bundesbank to a new European Central Bank. The pressure to achieve this target is thus intense. This dilemma helps to ensure markedly higher interest rates in France than in Germany, as the right-hand chart shows. Such interest rates – exceptionally high in real terms – help to ensure the continuance of France's *morosité*.

Interest-rate sensitive sectors in France – the banks, property, construction, manufacturers of consumer durables and so on – have been the worst affected. They will be the first to recover if the government abandons its commitment to the *franc fort* and decides on a dash for growth.

Total return in local currency to 17/10/95

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.08	0.12	0.20	0.13
Month	0.48	0.05	0.35	0.48	0.85	0.57
Year	6.25	2.75	5.56	6.38	10.06	7.19
Bonds 3-5 year						
Week	0.34	0.33	0.44	0.11	-0.05	0.64
Month	0.91	0.95	0.56	-0.30	-0.05	0.16
Year	12.30	13.71	12.60	10.50	14.38	12.17
Bonds 7-10 year						
Week	0.62	-0.25	0.82	0.28	-0.13	0.66
Month	1.65	0.21	0.42	-1.00	-1.91	-0.50
Year	18.48	17.57	13.94	12.15	13.73	13.13
Equities						
Week	1.4	0.6	0.5	-2.3	-3.3	1.4
Month	1.6	-2.1	-5.4	-5.6	-11.3	1.2
Year	29.5	-7.5	6.0	-1.0	-2.4	20.8

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities. The FT-Actuaries World Indices are owned by The Financial Times Limited, Goldman Sachs & Co. and Standard & Poor's.

But there is no sign of such a policy. Orthodox French opinion, symbolised by Mr Alain Juppé, the prime minister, is resolutely committed to Maastricht convergence. In the long run, this policy may achieve its aim; in the short term it is likely to ensure continued stagnation. Those who favour the French market in the short run are betting that the elite's collective nerve will fail.

Many continental European countries, including France, face another, longer-term, problem: financing pensions and healthcare for its older citizens in the 21st century.

If monetary union occurs, this long-term financial crisis will occur against a significantly changed background for government borrowing. While a country possesses its own currency and central bank, the government can always meet its local-currency debts – in extremis, by simply printing more money. That may produce inflation, but it will ensure that the pain of unsustainable government borrowing is shared between all holders of local currency-denominated assets.

After monetary union, the picture is quite different. All debt becomes, in effect, denominated in an external currency, one which the individual national government cannot control. Debt is thus "de-sovereignised", a nasty neologism now starting to creep into the discussion of this issue. It loses its certainty of repayment and acquires the characteristics of corporate debt. Lenders will require much wider spreads for those countries with the weakest financial position: that is, the highest level of borrowing and the worst prospect of raising taxes or cutting spending.

The very wide variation between the rates at which the least and most credit-worthy Canadian provinces can borrow is an example of this process at work. In a European monetary union, the gap between the best and worst credits would be wider still, since the "centre" in such a union possesses much less influence over its members – both to force lower borrowing and to provide last-minute bail-outs – than the government of a true federation. Coping with the burden of an ageing population in such circumstances will tax the ingenuity of finance ministers to the limit.

COMMODITIES / Kenneth Gooding

Metal trade gathers in London

Mining and metal industry executives from all over the world – more than 3,000 of them – are in London today for "metals week", and to pay tribute to the London Metal Exchange, the world's leading futures market for trading in copper, lead, zinc, primary aluminium, aluminium alloy, nickel and tin.

Coincidentally, this week is the 10th anniversary of the collapse of the tin market, when LME members collectively lost £600m. many were nearly bankrupted and the exchange was being written off. Today it is stronger than ever: turnover is about $5bn a day, having increased last year by 43 per cent to a record $30m tonnes of metal worth more than $1,000bn.

As usual, the LME has organised a seminar to take place this morning at which analysts will discuss the outlook for the metals it trades. Analysts are unlikely to disagree with the recent verdict given by Mr Philip Crowson, chief economist at RTZ Corporation, the world's biggest mining company, who suggested that metals supply and demand was moving back into better balance than seen for some years.

Mr Crowson predicted that prices this year would on average be above those for 1994 and that they would increase again in 1996.

LME week also marks the begining of the so-called metals "mating season" when miners start serious negotiations with smelting companies about treatment charges. According to analysts there is no shortage of concentrates (intermediate materials), so it is the smelters this year who have the upper hand.

● Other events this week include the four-day annual general assembly of the Association of Natural Rubber Producing Countries, which begins in Singapore today.

Also starting today, in Luxembourg, is a two-day meeting of EU foreign ministers, whose agenda includes deciding whether to sign the International Natural Rubber agreement.

Economics Notebook / **Robert Chote**

The enemy of understanding

The ultimate aim of economic policy-making is to enhance people's quality of life, so it is only natural that we should want to measure it. Unfortunately this is not as easy as it sounds.

A country's material living standards are usually proxied by its real gross domestic product (GDP) – the value of incomes, spending or output adjusted for changes in prices. But GDP excludes many activities which enhance people's well-being (like growing your own vegetables) and includes others which detract from it (like the creation of pollution).

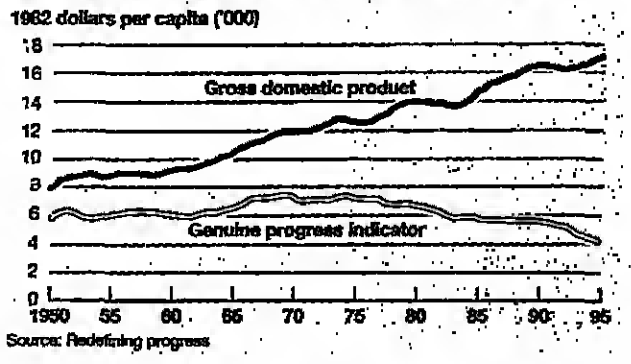
National income estimates were not originally intended as measures of economic well-being. They were pioneered in Britain and France in the late 17th century to assess the scope for raising taxes. Economists and politicians have done themselves no favours subsequently by regarding GDP as judge and jury of a nation's economic success.

Several alternative indices of well-being have been produced by making adjustments to GDP. The best known was constructed for the US in 1972 by William Nordhaus and James Tobin. Their "measure of economic welfare" added the value of leisure and unpaid work and subtracted spending on defence and other "regrettable necessities".

Last month the Californian think-tank Redefining Progress published a "genuine progress indicator" in the spirit of Nordhaus and Tobin's work. Largely because of pollution, environmental degradation and the depletion of natural resources, it suggested that US economic welfare peaked in 1969 and has been on the slide ever since.

The World Bank has meanwhile produced a composite measure of economic health for various economies, augmenting data on their formal economies with estimates of the value of natural resources, human skills and institutions. The World Economic Forum's annual ranking of national competitiveness works in a similar way, drawing on many more categories of information.

Is economic welfare rising or falling?



Source: Redefining progress

These various indices and rankings make irresistible reading. They allow us to rate our performance relative to other countries and past experience. Intellectually, however, they are reminiscent of those "Answer these 20 questions and discover if your partner is having an affair" quizzes which appear so frequently in glossy magazines. They draw attention to an issue of legitimate concern, but the precise numbers that emerge are arbitrary and almost meaningless.

The desire to cram several types of information into a single index is understandable as an attempt to draw a simple message from disparate and frequently conflicting indicators. But it is dangerous too. Analysing why indicators tell different stories is often far more revealing than pouring them all together to disguise the contradictions and draw a single conclusion.

The long-running argument about the measurement of unemployment in the UK is a case in point. The opposition Labour party has undermined the credibility of the headline monthly jobless figure by pointing out that it is based on the number of social security benefit claimants, and can therefore be massaged by changing the benefit rules.

The Royal Statistical Society argues that public confidence demands a single, undisputed monthly unemployment measure. There is already a quarterly measure based on an internationally standardised household survey, which the RSS would like to see calculated monthly. But this would be expensive, so it has been suggested that the two measures should be blended.

However, this would mean adding apples to oranges. It is not possible to define unemployment unambiguously, and arguing that an official imprimatur should be granted to one particular measure risks dangerously simplifying discussion of labour market developments.

At least the claimant and survey measures of unemployment are looking at roughly the same thing, however. The big problem with composite indices such as the World Economic Forum's competitiveness ranking is that they bundle together very different sorts of information.

This means the compiler of the index has to make arbitrary decisions about the relative importance (or "weighting") of each component. How do you decide which is more important in determining a country's competitiveness – a doubling in the number of people in higher education or a 10 per cent rise in infrastructure investment?

The process is more arbitrary still when some components can only be measured subjectively, for example the extent of central bank independence or the strength of labour market regulations.

A similar problem arises when researchers try to adjust national income figures to take account of changes in the way income is distributed, as there are many ways to quantify inequality. Do we care about the income of the poor relative to the average or the poor relative to the rich, for example?

Nobody argues that GDP is a perfect measure of national economic well-being, or that it should not be supplemented by other information. But calculations of GDP are imperfect enough without adding in arbitrary adjustments and measures of the inherently unmeasurable.

Presentationally inelegant though it may be, analysts need to look at a wide range of indicators, learning from the different tales they tell rather than trying to extract one consistent story. Simplicity can be the enemy of understanding as much as complexity.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 20 1995								THURSDAY OCTOBER 19 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (82)	182.80	6.5	171.89	115.61	132.85	162.02	10.1	4.01	183.76	173.35	116.81	135.10	182.42	191.01	157.95	169.80
Austria (27)	170.08	-6.9	159.99	107.57	123.60	123.55	-16.1	1.36	170.56	160.90	108.52	125.39	125.34	199.28	167.48	185.57
Belgium (35)	194.19	15.3	182.67	122.82	141.12	137.79	4.2	3.60	191.83	180.96	122.04	141.03	137.89	201.12	164.78	171.81
Brazil (28)	151.41	-7.2	142.43	95.76	110.04	267.88	5.3	1.69	149.32	140.87	95.00	109.78	263.58	-	-	-
Canada (100)	140.54	8.6	132.21	88.89	102.14	137.06	4.3	2.68	142.95	134.86	90.95	105.10	138.32	150.83	121.81	137.46
Denmark (33)	285.19	13.3	268.28	180.37	207.26	210.87	1.2	1.54	283.70	267.63	180.49	208.57	211.99	295.99	236.61	261.74
Finland (25)	235.98	26.9	221.99	149.25	171.50	209.55	13.3	1.53	244.67	230.82	155.67	179.88	218.45	276.11	171.13	198.17
France (100)	168.74	3.2	158.73	106.72	122.63	130.17	-4.9	3.37	168.48	158.94	107.19	123.86	131.14	191.17	157.79	168.59
Germany (59)	161.14	12.4	151.59	101.92	117.11	117.11	1.4	2.04	159.81	150.76	101.67	117.49	117.49	197.74	135.39	145.84
Hong Kong (55)	381.83	17.1	359.19	241.49	277.50	379.06	17.0	3.83	385.76	363.92	245.43	293.61	382.95	391.00	277.40	380.98
Ireland (16)	247.61	20.2	233.11	156.73	180.10	216.66	15.2	3.48	247.83	233.79	157.67	182.20	217.41	250.58	195.34	209.65
Italy (58)	69.24	-8.0	65.14	43.79	50.32	82.79	-9.2	1.84	71.56	67.51	45.53	52.91	85.26	82.71	65.45	78.21
Japan (483)	146.25	-6.8	137.58	92.50	106.29	92.50	-6.5	0.82	144.18	136.01	91.73	106.00	91.73	164.82	136.95	163.61
Malaysia (106)	471.80	-1.6	443.83	298.40	342.89	458.90	-2.7	1.79	464.00	437.73	295.21	341.13	451.69	581.98	386.18	559.52
Mexico (18)	1005.47	-29.0	945.84	635.82	730.72	7343.53	-3.7	1.89	1015.07	957.58	645.61	746.25	7419.19	2277.54	647.81	2277.54
Netherland (19)	258.02	19.0	242.73	163.19	187.52	184.34	7.3	3.54	255.79	241.31	162.74	188.06	184.94	283.99	207.60	217.18
New Zealand (14)	82.72	17.4	77.82	52.32	60.12	66.51	13.8	4.29	82.24	77.58	52.32	60.46	66.32	85.49	69.56	74.29
Norway (33)	238.66	12.0	224.50	150.94	173.44	199.87	2.1	2.10	238.97	225.44	152.04	175.68	201.86	243.79	192.92	206.30
Singapore (44)	371.22	-0.5	349.21	234.79	269.79	243.09	-3.0	1.69	368.27	347.42	234.30	270.75	241.75	414.26	313.94	385.01
South Africa (45)	364.30	6.2	342.70	230.40	264.75	290.10	-3.3	4.02	365.92	345.20	232.81	269.01	281.90	368.82	281.06	342.00
Spain (38)	148.56	12.6	139.75	93.96	107.97	138.26	3.5	4.15	149.19	140.75	94.92	109.68	138.17	160.51	124.10	142.78
Sweden (48)	317.19	37.2	298.35	200.59	230.50	315.01	23.9	1.80	316.74	298.81	201.52	232.86	317.73	320.43	225.80	240.83
Switzerland (41)	223.54	35.3	210.28	141.38	162.45	158.15	18.0	1.68	221.81	209.25	141.12	163.07	156.48	223.54	158.38	168.77
Thailand (46)	163.17	3.2	153.50	103.20	118.59	158.86	3.1	2.56	165.57	156.19	105.34	121.73	161.32	-	-	-
United Kingdom (207)	225.89	15.9	212.49	142.87	164.17	212.49	15.1	4.03	226.77	213.93	144.28	168.72	213.93	227.31	187.07	201.83
USA (503)	240.88	28.3	226.59	152.34	175.06	240.88	28.3	2.44	242.04	228.33	153.98	177.94	242.04	242.04	182.33	190.63
Americas (649)	219.74	26.1	206.71	138.97	159.69	184.40	26.4	2.44	220.86	208.35	140.52	162.37	185.29	-	-	-
Europe (739)	194.43	15.1	182.90	122.97	141.30	162.63	8.0	3.10	194.50	183.48	123.74	142.99	163.81	199.02	163.04	173.91
Nordic (139)	288.30	28.4	271.20	182.34	209.52	243.77	15.8	1.80	289.53	273.14	184.21	212.86	247.07	295.02	215.79	233.74
Pacific Basin (832)	156.73	-4.6	147.44	99.13	113.91	102.96	-4.6	1.26	154.96	146.18	98.59	113.92	102.28	173.52	145.93	172.72
Euro-Pacific (1571)	172.35	3.7	162.12	109.00	125.25	125.54	0.5	2.13	171.34	161.63	109.01	125.96	125.53	178.33	154.73	173.10
North America (603)	234.68	27.4	220.76	148.42	170.55	233.94	27.2	2.45	235.91	222.55	150.09	173.44	235.11	235.91	178.86	167.32
Europe Ex. UK (532)	173.44	14.6	163.16	109.70	126.06	135.79	4.1	2.58	173.14	163.33	110.15	127.29	136.82	179.46	146.45	155.21
Pacific Ex. Japan (349)	256.54	7.7	241.39	162.25	186.44	225.21	8.0	3.26	256.92	242.38	163.48	188.89	225.49	266.72	211.19	261.81
World Ex. US (1762)	173.30	3.6	163.02	109.60	125.94	128.09	0.5	2.17	172.42	162.69	109.70	126.76	129.12	178.73	155.42	175.19
World Ex. UK (2058)	190.92	11.7	179.60	120.75	138.75	156.33	8.4	2.09	190.59	179.79	121.26	140.11	156.57	191.32	163.46	177.09
World Ex. Japan (1782)	220.75	20.2	207.66	139.61	160.43	205.18	17.4	2.76	221.43	208.89	140.88	162.79	206.30	221.43	178.95	189.71
The World Index (2265)	193.98	12.1	182.48	122.68	140.97	191.25	9.9	2.28	193.75	182.77	123.27	142.44	161.58	194.25	165.92	179.28

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 160.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Constituent change during the week ending 20/10/95: Deletion: Lloyd Adriatico (Italy).

هكذا من الأصل

EMERGING MARKETS: This Week

The Emerging Investor / Julian Ozanne in Amman

Restrictions mar Jordan's attractiveness

Nothing symbolises growing foreign interest in Jordan's stock market and its economy more than the gathering last month in Amman of delegates from Pensions 2000, representing 57 US pension funds with $500bn under management.

Although the organisation has yet to decide whether to list Jordan as an "investible country" many of the delegates went home impressed with the country's prospects as one of the more promising Middle East emerging markets.

Strong economic growth of about 6 per cent a year, a successful macro-economic stabilisation programme, the consolidation of regional peace, new liberal investment and tax laws and low stock prices have all contributed to make Jordan an attractive market.

However, although the country was discovered by international investment houses such as Lehman Brothers, Barings and Foreign & Colonial during the market's bull years of 1991 to 1993, foreign investors have stayed away in the face of bureaucratic and political obstruction and falling prices.

Recent reforms will resuscitate foreign interest, particularly in some attractive undervalned blue chips and the tourism and services sector. But foreign investment will not surge into Amman until a relaxation of monetary policy allows domestic investors to return to the market, prospects improve for trade with Iraq, and the government makes a much deeper and unambiguous commitment to foreign investment and economic liberalisation.

"Jordan has not participated in the recent flows to emerging markets in the Mediterranean and Middle East," said Mr Angus Blair of Barings Securities. "With continued regulations and restrictions Jordan is still putting itself at a disadvantage compared to markets like Morocco and even Egypt."

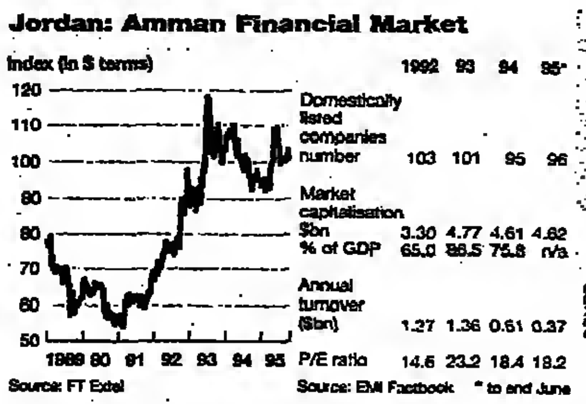
Activity soared on the Amman Financial Market in 1992 and 1993, moch of which was the result of a massive influx of capital from Jordanian expatriates working in the Gulf who were forced home after the Gulf war. Foreign investment also began to trickle in during 1993.

But the market began to correct in July 1993 when the Central Bank curbed commercial bank lending for stock purchases and tha index fell from a peak of about 180. The bank's measures were partly taken to cool the stock market, where average price/earnings ratios had reached as high as 25.

Prices have rebounded alightly in 1995 but the market has remained sluggish. Continuing tight monetary policy and rising interest rates have kept local investors on the sidelines as has the repatriation of money from Jordan to the Palestinian territories.

Any liquidity available in the past two years has been sucked into the primary issues market. More than JD890m ($1.25bn) has been raised in the primary market since the beginning of 1993 in a mixture of IPOs and capital increases. Many of the issues have been heavily oversubscribed.

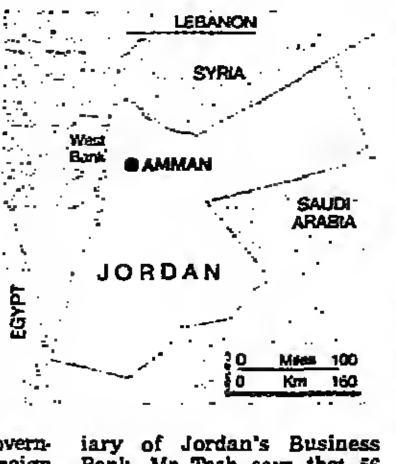
Jordan: Amman Financial Market



Source: FT Extel

	1992	93	94	95*
Domestically listed companies number	103	101	95	96
Market capitalisation $bn	3.30	4.77	4.61	4.62
% of GDP	65.0	86.5	75.8	n/a
Annual turnover ($bn)	1.27	1.36	0.61	0.37
P/E ratio	14.6	23.2	18.4	18.2

Source: EMI Factbook * to end June



Investors also believe that the market, and particularly industrial stocks such as chemicals and pharmaceuticals, will not pick up substantially until UN sanctions against Iraq, which had accounted for 25 per cent of Jordan's exports, are eased.

Given the stagnant interest of local investors the market's bulls are resting hopes on foreign investment. New tax laws should boost corporate profits and new investment laws should resuscitate foreign interest. For the stock market the most radical change has been the abolition of government approval of foreign investment. Approval will now be granted by exchange officials. But the law remains unclear about whether the foreign investor can invest when and how he or she chooses without the need to seek permissions.

In addition, although the law seeks to eliminate discrimination between foreign and domestic investors, the government appears set to keep a 49 per cent ceiling on foreign ownership in all sectors except industry.

The new laws go some way to ameliorating Jordan's generally dismal record on foreign investment and have not come too soon for the frustrated pioneers of foreign investment on the AFM, like Mr Mohamed Tash, general manager of National Securities, a subsidiary of Jordan's Business Bank. Mr Tash says that 56 foreign funds lodged applications with the government between 1992 and 1994 for total investment on the market of $450m. Up to $200m of applications were approved, but only after lengthy delay. In the case of Barings the approval took seven months.

By the time the government had given approval, however, the market had begun to correct, and foreign investment was effectively frozen last year pending changes in legislation. Less than $15m of the $200m flowed on to the market as Jordan missed out on the first wave of regional investment to follow the Middle East peace process.

Foreign investment is now likely to flow in much more significant levels, but a big influx in unlikely so long as local investors remain shy and the government seems ambiguous. The 49 per cent rule will effectively bar foreign investment in many attractive companies, particularly banks like Arab Bank and Housing Bank where non-Jordanian Arab investors already hold more than 49 per cent. Faster privatisation of government stakes in 80 listed companies is also essential to greater foreign investment.

"It is not an ideal package of legislation and we would have preferred no limitation on foreign ownership," says Mr Tash.

Nevertbeless, foreign and local analysts believe that the market is ripe for speculative buying with an average p/e of 17.5, or 16.5 if the Arab Potash and Phosphate Mines are excluded.

Foreign investors are particularly interested in the highly capitalised and well managed blue chip companies such as Arab Bank, trading at a p/e ratio of 15.5, Jordan Cement with a p/e of 17 and Arab Potasb with a p/e of 19.5. With tourists up by 60 per cent in the first six months this year, the tourism and hotel sector is also growing in appeal.

"We will not have a sudden boom in foreign investment," says Mr Khaled al-Masri, an executive at Arab Jordan Investment Bank. "Bnt there will be bigger inflows and selective buying especially in the tourism and services sectors."

News round-up

■ Venezuela

The equity market has been performing well, notes Bear, Stearns but the political situation remains uncertain, with downside risk possible ahead of December elections; while disappointment could also be generated if negotiations with the IMF do not turn out as expected.

Bear, Stearns believes that Venezuelan ADRs will continue to trade independently of local shares, and expects gains to be muted "until a clearer picture emerges as to what sort of economic plan will be adopted as a result of the IMF negotiations. Wa also expect ADRs to maintain at least some premium to the local shares until foreign exchange controls are lifted."

■ Fund launch

Hambros Global Investmeot has launched the Hambros Asian Korea Advantage Fund, an open-ended investment company to be listed on the Irish stock exchange. Ms Antoinette Girard, managing director of Hambro Pacific, said the fund would take advantage of the dooble taxation treaty between South Korea and Ireland. The fund would hold up to 50 per cent of its assets in South Korea, with the rest in Hong Koog, Malaysia, Singapore and Taiwan. Mr Angus Chow, fund manager, said South Korea was attractive as it was a main Asian economy attracting high economic growth.

■ Egypt

James Capel turned positive on the Egyptian stock market last week and believes it could become the main regional investment centre. Mr Albert Momdjian says the market, with 714 stocks and capitalised at $6.6bn, is undervalued in a global context. There are problems though, and the IMF and World Bank have been critical at the speed of its privatisation programme.

■ Shenzhen

The stock exchange announced a reshuffle on Friday. Mr Zhuang Xingyi was appointed as general manager, replacing Mr Xia Bing.

● *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.*

CURRENCY MARKETS — Philip Gawith

Politics and statistics dominate

According to the script, currency markets will take their lead this week from growth and inflation figures to be released in the US, UK and Germany.

The main release will be the US third quarter GDP estimate, which comes out on Friday. The same figure will be available in the UK today.

In Germany, meanwhile, producer and consumer inflation figures for September will probably provide further evidence of the weak growth, low inflation environment that now seems to prevail in the world's leading economies.

None of this carries with it much excitement for the foreign exchanges, or at least not until developments have crystallised sufficiently to indicate where the next likely move in G3 interest rates will be. US short-term rates look to be on hold for the time being, while a Bank of Japan official said on Friday that the bank was not considering a further cut in the official discount rate.

While many believe a further cut in German rates is possible, there is not much expectation that it will be soon.

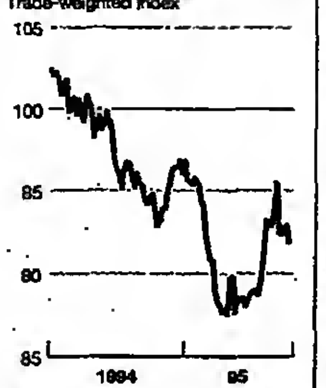
What is not in the script, and what will most likely rescue foreign exchanges from the current quiet period, is politics, particularly in Europe.

Last week it was the turn of the lira, and if Mr Silvio Berlusconi, the former prime minister, proceeds with his threat to force a vote of no confidence in his successor, Mr Lamberto Dini, the lira may face further troubles.

There are also many who believe that the French franc is an accident waiting to happen. Not only is Mr Alain Juppé, the prime minister, believed to have a very tenuous hold on power, but the policy contradictions surrounding the *franc fort* policy remain unresolved.

Although it is difficult to predict where the next move will come from, there is a feeling of "the calm before the storm" about foreign exchanges at present.

Dollar



Source: FT Extel

Baring Securities emerging markets indices

Index	20/10/95	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (362)	146.69	+0.49	+0.34	-4.08	-2.71	-11.34	-7.16
Latin America							
Argentina (23)	77.60	-0.71	-0.91	-5.00	-8.06	-8.51	-9.89
Brazil (23)	197.45	+2.23	+1.14	-12.07	-5.76	-11.93	-5.70
Chile (15)	1868.76	+2.44	+1.31	-4.71	-2.44	-22.79	-10.77
Mexico (24)	71.06	+0.80	+1.13	-9.55	-11.85	-26.57	-27.22
Peru (15)	1,039.68	+32.78	+3.26	-36.90	-3.43	+191.01	+22.51
Latin America (100)	121.06	+1.21	+1.01	-8.97	-6.90	-17.71	-12.76
Europe							
Greece (20)	104.64	+1.82	+3.79	+0.17	+0.16	+17.65	+20.29
Portugal (23)	119.68	+2.55	+2.17	+8.86	+6.08	+3.40	+2.93
Turkey (21)	111.83	+12.19	+12.23	+13.46	+13.69	+35.72	+46.93
South Africa (33)	143.61	+1.44	+1.01	+6.21	+4.52	+15.67	+12.25
Europe (97)	118.91	+2.49	+2.14	+5.53	+4.67	+21.21	+21.71
Asia							
Indonesia (32)	147.84	+3.86	+2.68	+4.37	+3.04	+14.15	+10.59
Korea (23)	154.35	-1.56	-1.00	+1.46	+0.96	+14.47	+10.34
Malaysia (22)	219.76	+0.55	+0.25	-7.84	-3.44	+8.92	+4.23
Pakistan (16)	79.84	-3.88	-4.64	-11.14	-12.25	-26.36	-24.82
Philippines (15)	262.97	-2.21	-0.83	-10.07	-3.69	-19.16	-6.79
Thailand (26)	253.06	-6.37	-2.46	-1.04	-0.41	+1.42	+0.57
Taiwan (31)	128.48	-4.78	-3.59	-0.50	-0.39	-55.67	-30.23
Asia (163)	205.45	-2.21	-1.07	-2.93	-1.41	-5.17	-1.40

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, October 20, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7000.59	4442.00	3177.62	4439.56
Albania	(Lek)	144.756	91.8500	65.7057	91.7395
Algeria	(Dinar)	79.3768	50.3660	36.0298	50.3383
Andorra	(French Fr)	7.7506	4.9180	3.5181	4.9153
	(Sp Peseta)	190.814	121.075	86.6121	121.006
Angola	(Kwanza)	8970.59	5692.00	4071.82	5688.87
Antigua	(E Carr $)	4.2552	2.7000	1.9315	2.6985
Argentina	(Peso)	1.5758	0.9998	0.7152	0.9993
Armenia	(Dram)	630.400o	400.000	286.144	399.780
Aruba	(Florin)	2.8211	1.7900	1.2805	1.7890
Australia	(Aus $)	2.1004	1.3328	0.9533	1.3319
Austria	(Schilling)	15.5036	9.8375	7.0373	9.8321
Azerbaijan	(Manat)	6926.52o	4395.00	3144.00	4392.58
Azores	(Port Escudo)	232.949	147.819	105.737	147.729
Bahamas	(Bahama $)	1.5760	1	0.7154	0.9996
Bahrain	(Dinar)	0.5942	0.3770	0.2697	0.3768
Balearic Is	(Sp Peseta)	190.814	121.075	86.6121	121.006
Bangladesh	(Taka)	63.3552	40.2000	28.7574	40.1778
Barbados	(Barb $)	3.1698	2.0113	1.4388	2.0102
Belarus	(Rouble)	18124.0o	11500.9	8226.63	11493.7
Belgium	(Belg Fr)	45.3455	28.7725	20.5827	28.7567
Belize	(B $)	3.1520	2.0000	1.4307	1.9989
Benin	(CFA Fr)	775.080	491.800	351.813	491.530
Bermuda	(Bermudian $)	1.5760	1	0.7154	0.9996
Bhutan	(Ngultrum)	56.0663	35.5750	25.4485	35.5554
Bolivia	(Boliviano)	7.6903	4.8800	3.4919	4.8773
Botswana	(Pula)	4.4086	2.7972	2.0019	2.7957
Brazil	(Real)	1.5147	0.9611	0.6875	0.9606
Brunei	(Brunei $)	2.2395	1.4219	1.0165	1.4202
Bulgaria	(Lev)	107.798	68.4000	48.9305	68.3624
Burkina Faso	(CFA Fr)	775.080	491.800	351.813	491.530
Burma	(Kyat)	8.9151	5.6568	4.0466	5.6537
Burundi	(Burundi Fr)	415.875	263.880	188.769	263.735
Cambodia	(Riel)	3624.80	2300.00	1645.33	2298.74
Cameroon	(CFA Fr)	775.080	491.800	351.813	491.530
[illegible]					

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.6345	0.4539	0.6342
Greece	(Drachma)	363.085	230.390	164.812	230.263
Greenland	(Danish Krone)	8.5670	6.4365	3.8890	5.4335
Grenada	(E Carr $)	4.2552	2.7000	1.9315	2.6985
Guadeloupe	(Local Fr)	7.7508	4.9180	3.5181	4.9153
Guam	(US $)	[illegible]			
Guatemala	(Quetzal)	[illegible]			
Guinea	(Fr)	[illegible]			
Guinea-Bissau	(Peso)	[illegible]			
Guyana	(Guyanese $)	[illegible]			
Haiti	(Gourde)	[illegible]			
Honduras	(Lempira)	[illegible]			
Hong Kong	(HK $)	[illegible]			
Hungary	(Forint)	[illegible]			
Iceland	(Icelandic Krona)	[illegible]			
India	(Indian Rupee)	[illegible]			
Indonesia	(Rupiah)	[illegible]			
Iran	(Rial)	[illegible]			
Iraq	(Iraqi Dinar)	[illegible]			
Irish Rep	(Punt)	[illegible]			
Israel	(Shekel)	[illegible]			
Italy	(Lira)	[illegible]			
Jamaica	(Jamaican $)	[illegible]			
Japan	(Yen)	[illegible]			
Jordan	(Jordanian Dinar)	[illegible]			
Kazakhstan	(Tenge)	[illegible]			
Kenya	(Kenya Shilling)	[illegible]			
Kiribati	(Australian $)	[illegible]			
Korea North	(Won)	[illegible]			
Korea South	(Won)	[illegible]			
Kuwait	(Kuwaiti Dinar)	[illegible]			
Laos	(New Kip)	[illegible]			
Latvia	(Lats)	[illegible]			
[illegible]					

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	50.0037	31.7282	22.6970	31.7108
Panama	(Balboa)	1.5760	1	0.7154	0.9995
Papua New Guinea	(Kina)	2.0848	1.3228	0.9463	1.3221
Paraguay	(Guarani)	3082.90	1962.50	1403.89	1961.42
Peru	(New Sol)	3.5579	2.2575	1.6149	2.2563
[illegible]					

Special Drawing Rights October 19, 1995 Utd Kingdom £0.951836 Utd States $1.49800 Germany DM2.12180 Japan Y150.647 European Currency Unit Rates October 20, 1995 Utd Kingdom £0.844180 Utd States $1.32583 Germany DM1.88484 Japan Y133.368

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate ; § Russia applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Corrected figs for 13/10/95 £4119.69 $2620.00 DM1833.32 Y2602.43. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365.
To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls charged at 39p/minute cheap rate, 49p/minute at all other times
Friday, October 20, 1995

WORLD BOND MARKETS: This Week

NEW YORK — Maggie Urry

Having pushed long yields down to the lowest levels since before interest rates began to rise in February last year, the US bond market weakened last week. The yield on the long bond ended the week at 6.35 per cent having briefly touched 6.25 per cent.

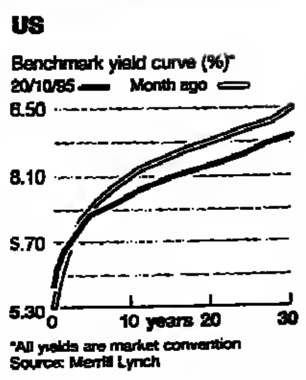
It is now unlikely that bonds can go higher again until the political wrangling over the budget deficit and the government's debt ceiling is brought to a satisfactory conclusion.

With eacb passing day the government's outstanding borrowings are edging nearer to the debt ceiling of $4,900bn, and last week the Treasury had to cut today's bill auction by $6bn to make room for the two-year and five-year note auctions due tomorrow and and Wednesday.

Some more fancy footwork of this kind should mean the government can carry on paying its debts until the middle of November. The crunch will come on November 15 when $25bn of interest is due on existing bonds.

Before that there is likely to be much posturing between the two political parties, whicb will unsettle the financial markets.

The main economic news due this week is the preliminary estimate of GDP growth in the third quarter. A rise of 2.5 per cent would be a good bounce back from the 1.3 per cent growth in the second quarter.



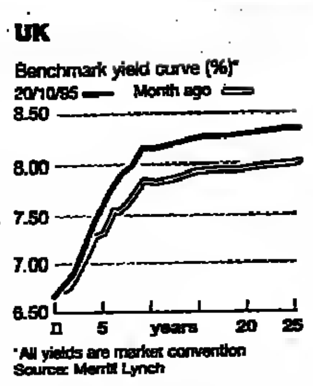
LONDON — Richard Lapper

Gilts underperformed last week, with the 10-year yield spread over Germany widening by more than 10 basis points over the course of the week.

Some analysts now suggest that, at least measured by this yardstick, gilts are relatively cheap. Next week their ability to regain ground will be heavily influeoced by two developments: third quarter GDP figures are published today and the Bank of England's gilts auction on Wednesday.

The GDP figures are attracting attention because they could have a bearing on monetary policy. Market expectations are for growth of 0.5 per cent, although the figures may need to vary by more than 0.2 per cent from this estimate to generate reaction from traders.

After the problems at its September auction there is extra pressure on the Bank of England to ensure that its sale this week of £3bn of 8 per cent gilts due 2015 goes well. The prospects are reasonably good, with pension funds and insurance companies usually enthusiastic buyers of longer-dated paper. However, Mr Nigel Richardson, bond strategist at Yamaichi International, says the shape of the yield curve between the 10- and 20-year marks suggests the longer-dated paper may, at present yields, be too expensive. He says prices could fall in this area before the auction.



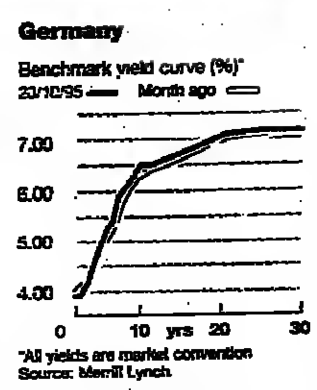
FRANKFURT — Andrew Fisher

With Germany's money supply finally picking up, arguments about whether the Bundesbank is likely to cut official short-term rates again have been given a new twist. Some economists still expect further reductions in the discount and lombard rates, while others think no more are likely.

M3 grew at an annualised rate of 1.5 per cent in September after only 0.3 per cent in August. Thus the Bundesbank may take the view that monetary activity needs no further help from interest rate cuts; It justified the last reduction in August by saying the money supply trend was weaker than expected.

Mr Steven Bell of Deutsche Morgan Grenfell expects no further cuts. "With a significant fiscal expansion due to take effect in January 1996, and the German economy stabilising, it is unlikely that the Bundesbank will wisb to cut key official rates again in this cycle." A rate cut would only be likely if the D-Mark strengthened markedly or economic growth was much weaker than forecast.

He and others expect the securities repurchase (repo) rate to drop below 4 per cent after last week's unchanged 4.03 per cent. But Mr Adolf Rosenstock of Industrial Bank of Japan expects gradual repo cuts towards 3.75 per cent to be a precursor of a further half point discount rate cut between November and February.



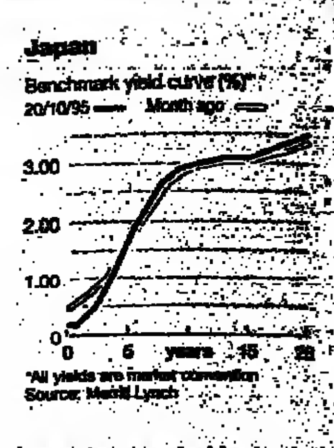
TOKYO — Emiko Terazono

A reluctance to chase the bond market higher due to the low returns is expected to continue. Although the Bank of Japan has been supporting the market, investors searching for higher yields are turning to investments including foreign bonds.

This week leading electronics companies release interim earnings, which are expected to be helped by the yen's fall against the dollar. If the Wall Street rally continues, more investors may turn from bonds to the stock market.

A steeper yield curve will help Japanese financial institutions, which face a rise in overseas funding costs because of the "Japan premium", but investors are worried about over-supply, says Mr Cameron Umetsu, bond analyst at UBS Securities. Increased reliance on funding the country's budget through bonds has raised the amount of 10-year bonds auctioned monthly from Y1,000bn to Y1,200bn. In the longer term, central bank purchases of government bonds, which have risen sharply over the past few months, could lead to inflation, says Mr Umetsu.

Mounting apprehension about the country's financial system, however, will force the bank to keep short-term rates low. Such concerns are expected to persist until the authorities clear up the bad loan mess of the jusen, or housing loan companies.



International bonds

Spotlight falls on Brazilian offerings

Every arbitrageur worth his or ber salt has taken advantage by oow of the difference in yield spreads between Brazil's dollar-denominated IDU (Interest Due and Unpaid) bonds and Brazil's DM1bn eurobond launched in June.

Brazil's 9 per cent eurobond due 1998, its first for 15 years, was brought at a spread of 385 basis points over short-dated German government paper. The spread has now narrowed to just over 300 basis points. By comparison, Brazil's $7.2bn worth of IDU bonds due 2001 are trading at a spread of more than 600 basis points over US treasuries.

The difference in spread has spawned several private placements of re-packaged Brazilian debt but SBC Warburg is perhaps the first to launch a non-dollar offering in the public market.

Last week, SBC Warburg brought a DM100m offering of eurobonds due 2001 which were priced to yield 450 basis points over German government paper. The bonds, which have a 10 per cent coupon, are the result of a series of swaps and a re-arrangement of the cash-flow on the amortising IDU boods.

Mr Patrick O'Brieo, director of emerging market syndicate at SBC Warburg, said the offering was targeted at investors who did not want to buy the underlying Brazilian debt but who wanted to pick up the additional yield available on emerging-market paper.

He noted that the $250,000 minimum size of IDU bonds took them out of reach of most retail investors. However, the minimum size of SBC's offering is DM1,000, whicb allows it to be marketed to retail accounts.

Given the good investor response to D-Mark eurobonds from emerging-market borrowers this year – almost DM5bn worth has been issued by Brazil, Argeotina, Mexico, Uruguay, Hungary and Turkey this year – further offerings of this nature could well emerge.

Although the IDU bonds are the most suitable assets for this sort of structure, debt from other Latin American countries, and even Russia, could be used. Bank loans could also be used.

However, given the enormous pool of emerging-market debt but the fairly restricted appetite in the eurobond market for such an eod-product, It is unlikely that the yield differential between the two markets will oarrow significantly.

Antonia Sharpe

Greece's fixed-rate placing well received

Greece's infant bond market has taken a leap forward with the successful placing of the country's first fixed-rate bond issue since capital flows were liberalised almost a decade ago.

Domestic yields in the mid-teens and the drachma's stability bave been attracting heavy foreign buying of government paper this year, encouraging the finance ministry to place a Dr95bn "eurodrachma" issue with institutional investors abroad.

While the bond market in Athens has picked up following the launch over the summer of bond auctions and the arrival of computerised trading, It was still considered too shallow to absorb a sizeable fixed-rate issue.

Several offerlngs of fixed-rate drachma boods were made last year by supranatlonal Institutions like the European Investment Bank and the International Finance Corporation. But the small size of "marathon" bond issues, which averaged Dr10bn to Dr15bn each, has discouraged secondary trading.

The seven-year bond offering at 11 per cent is part of Greece's strategy to build a yield curve for domestic issues that will help extend the maturity of Greek debt, still financed mostly by treasury bills of up to 12 months.

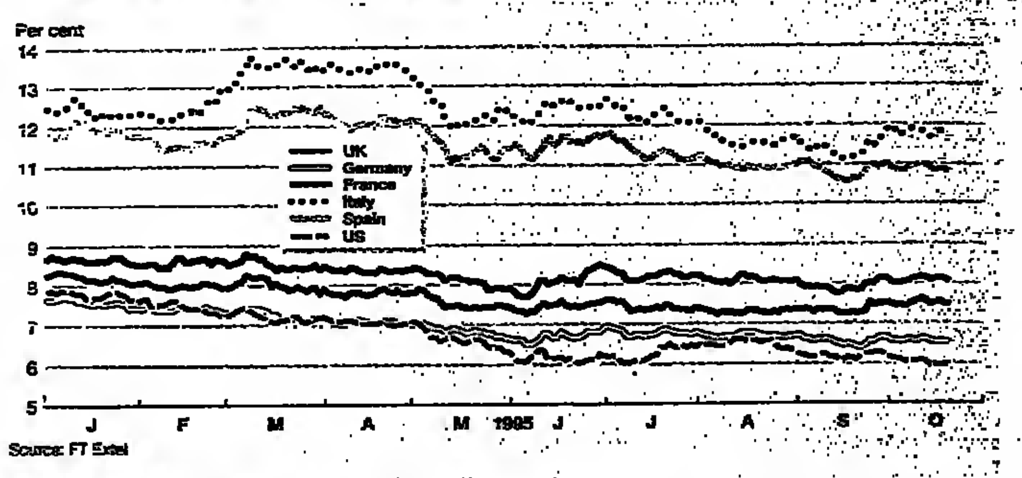
Recent bond auctions have focused on seven-year floating rate notes, with interest rates pegged at 200 basis points above the benchmark rate on 12-month treasury bills. Last month's Dr400bn issue of seven-year notes with a yield of 16.5 per cent for the first year was snapped up by local money market funds, which are keen on high coupons.

However, the success of the central bank's "hard drachma" policy, aimed at limiting its depreciation this year to 3 percentage points against other EU currencies, and a decline in the inflation rate from 10.9 per cent in January to 8.4 per cent in September, is already reflected in falling interest rates.

Rates on 12-month treasury bills, popular with retail investors who hold them until maturity, have dropped from 17.5 per cent to 14.25 per cent since January. Next year, the finance ministry plans to start replacing short-term bond issues with five-year and possibly 10-year fixed rate international bonds denominated in drachmas.

Kerin Hope

10-year benchmark bond yields



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	0.50	3.50	6.15[1]	9.00	6.75[2]
Overnight	5.63	0.53	4.00	6.50	10.15	6.50
Three month	5.43	0.02	3.96	7.00	10.55	6.68
One year	5.62	0.03	3.96	6.50	10.74	7.18
Five year	5.89	1.51	5.42	6.91	11.61	7.61
Ten year	6.03	2.83	6.52	7.55	12.04	8.15

(1): France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	117-09	116-23	-0-19	117-11	116-11	362,309	391,673
Mar	116-28	116-12	-0-19	116-29	116-01	2,358	20,994
Jun	116-00	115-29	-0-19	116-01	115-19	281	4,269

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

[illegible]

Government bonds

French troubles keep OATs depressed

French government bonds, or OATs, have been bogged down in recent weeks by currency weakness, interest-rate uncertainty, budget worries and political jitters.

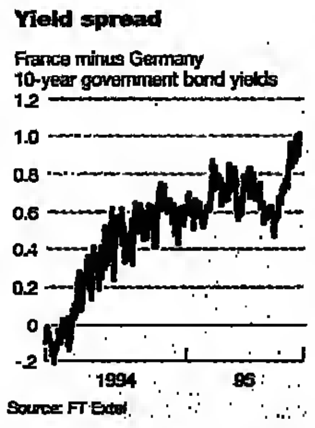
Signs of economic slowdown and concerns that France may not be able to meet the criteria required for entry into European monetary union have weighed on France's markets.

Until the French franc stabilises and greater clarity emerges about tbe government's plans to reduce its budget deficit, dealers expect bonds to remain volatile and predict that the yield premium that OATs pay over German government bonds, or bunds, could increase further.

Already the 10-year OAT yield gap over bunds has widened to 103 basis points on Friday from about 60 basis points at the beginning of the year and a low of 47 basis points in August.

Although the spread is likely to tighten when political and budget tenslons subside, it could widen out further in the near term. "I would advise people to avoid French bonds for now, though I would look to buy if the spread were 10 to 15 basis points wider," says Mr Mark Fox, chief European strategist at Lehman Brothers.

Yield spread



Source: FT Extel

Political worries have been at the centre of the markets' attention in recent weeks. Political instability – highlighted by Mr Alain Madelin's forced resignation as finance minister in August, allegations that Prime Minister Alain Juppé obtained low-rent housing owned by the city of Paris for himself and other family members, and recent talk linking Finance Minister Jean Arthuis to illicit party fmding – has exacerbated some underlying problems, most visibly apparent in the recent weakness of the French franc.

Predictahly, the bond market's recent fortunes have been closely tied to those of the franc, which has fallen 2.5 per cent against the D-Mark since August 22.

Last week, hopes of a reversal of the currency's fortunes were boosted on Monday when the Bank of France reduced its 24-hour emergency lending rate hy 25 basis points to 7 per cent, having stabilised the currency with a rate hike some days before.

However, Monday's cut was widely deemed premature, and the franc lost ground again. Pressures against it were exacerbated by continued weakness in the US dollar which put further pressure on many European bond and currency markets as investors ploughed their money into the safety of D-Mark assets.

The weakness of its currency poses a serious policy conundrum for the French authorities. To tackle the deficit the government needs faster economic growth in order to increase tax revenues and reduce unemployment.

But to achieve that, the Bank of France should reduce, rather than increase, interest rates. In turn, however, lower rates would put further pressure on the franc, threatening the authorities' "Franc Fort" policy, which could jeopardise its standing in the European exchange rate mechanism and entry into EMU.

Radical changes in fiscal policy – including aggressive cuts in public spending – could be one way out of this impasse.

However, there are fears that the government may not meet its deficit targets, which were set when growth prospects were more promising.

While the government plans drastically to pare back the social security deficit, specific ways of reducing it have yet to be devised.

Moreover, strikes by public sector workers in early October and more industrial action this week by the railway union will cast further doubt on the government's ability to push through unpopular fiscal reforms.

Investors will keep a keen watch on progress on this front. "A failure to tighten fiscal policy further will leave the Frenc franc lurching from crisis to crisis in the future," say analysts at Merrill Lynch.

"The fundamental issne remains market concern about the willingness of the French government to take the necessary and unpopular fiscal steps to push the deficit more firmly on a downward path."

Conner Middelmann

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
St George Bank‡	300	Nov.1998	(a)	99.92R	-	-	UBS
Electrobras(b)	00	Oct.1998	10.00‡	99.25R	10.30	+450(5¾%-98)	ABN Amro Hoare Gvtt.
Hokkaido Electric Power Co.	200	Oct.2000	6.125	99.853R	6.160	+30(6⅛%-00)	IBJ Intl./ Yamaichi
Checkpoint Systems(c)§	105	Nov.2005	5.25‡	100.00	-	-	NatWest Securities
AbrB(f)	100	Oct.2003	12.00‡	100.00R	11.97	+825(5⅞%-98)	Chase Investment Bank
Career Horizons(g)§★	75	Oct.2002	7.00‡	100.00	-	-	Salomon Brothers
Public Power house	100	Nov.2000	(a)	(a)		-	SBC Warburg
Merrill Lynch & Co	200	Nov.2000	6.25	99.455R	6.381	+50 (Wl 5yr)	Merrill Lynch Intl.
Deutsche Bank Fin. Curacao	200	Oct.1998	5.70	99.68R	5.742	+4 (Wl 3yr)	Deutsche Morgan G'fell
Merita Bank†	100	Dec.2005	(a)	99.96	-	-	Lehman Brothers
Public Power house	100	Nov.2000	7.25	99.959R	7.260	-	SBC Warburg
Societe Generale(h)	200	Nov.2005	6.75	99.406	6.834	-	Salomon Brothers
Societe Generale(i)†	150	Nov.2005	(j)	99.815R	-	-	Salomon Brothers
Banco Boavista‡	55	Oct.1998	10.25	99.87R	10.39	+480 (Wl 1y)	ABN Amro Hoare Gvt.
Sallie Mae Sft Ln.Tst(k)†★	750	Apr.2004	(k)	100.0	-	-	Goldman Sachs Intl.
Sallie Mae Sft Ln.Tst(m)†★	215	Oct.2007	(m)	100.0	-	-	Goldman Sachs Intl.
MBNA Master Credit Card(l)	652.5	Mar.2003	(l)	(l)	-	-	Merrill Lynch
GECC	200	Nov.1998	5.75	99.784R	5.838	flat(5⅞-98)	Deutsche Morgan G'fll
Province of Ontario	200	Nov.2000	5.75	100.38	5.662	-	Nomura Intl.
D-MARKS							
Free State of Bavaria(c)	500	Oct.2005	6.70	99.675R	6.745	+21(6⅞%-05)	ABN Amro/Bayernhypo
Republic of Argentina	500	Nov.2002	10.50	99.50R	10.60	+438(7¼%-02)	CSFB-Effectenbank
Hewlett-Packard Finance Co.	300	Nov.2000	5.625	99.723R	5.690	+28(5⅞%-00)	Salomon Brothers
Bank Austria	200	Nov.1998	5.00	101.95	4.293	-	Dresdner Bank
African Development Bank	300	Oct.2002	6.375	99.566R	6.454	-	Dresdner Bank AG
Credit Local de France	300	Nov.2000	5.75	99.82R	5.792	-	SBC Warburg
Rabobank Nederland	500	Nov.2000	5.625	99.618R	5.715	-	Goldman Sachs
Brazil Sovereign Credit	100	Jan.2001	10.0	100.0R	9.446	+463 (8.115)	SBC Warburg
NordLB Finance (Curacao)(o)	100	Oct.1998	5.25	101.0	4.877	-	Merrill Lynch/NordLB
DSL Finance	250	Dec.1999	5.375	99.65R	5.047	-	B.de Zoete Wedd
YEN							
Petrobras	15bn	Oct.1998	5.375	100.00	5.375	-	Nomura International
Electrobras(d)★	10bn	Oct.1998	5.20	99.00R	5.571	-	Daiwa Europe
Argentina Global Finance	10bn	Nov.1998	1.12	100.1875	1.056	-	Nomura Intl.
SWISS FRANCS							
Province of Styria★	100	Nov.1997	2.625	101.15	2.032	-	del Gottardo/von Ernst
Kyushu Electric Power Co.	350	Nov.2002	4.25	103.375	3.694	-	SBC Warburg
STERLING							
Cadbury Schweppes(s)	100	Dec.2000	8.00	99.361R	8.169	+40(8%-00)	NatWest Markets
South Wales Electricity	100	Nov.2020	9.25	99.23R	9.325	+80 (8¾%-17)	UBS
GUILDERS							
BNG	500	Nov.2001	6.00	99.83R	6.035	+10(8¾%-01)	SBC Warburg
Nederlandse Waterschapsbank	300	Jan.2005	5.625	99.30R	5.478	+13 (7¾-05)	ABN Amro Hoare Govett
LUXEMBOURG FRANCS							
LB Rheinland Pfalz Lux.	2.0bn	Dec.2000	6.125	102.375	5.568	-	Kredietbank
Cregem Intl. Bank(s)	2bn	Jun.2001	6.125	102.25	5.650	-	BIL
ITALIAN LIRE							
European Investment Bank(n)	200b	Oct.2000	10.25	100.094	10.21	-	IMI Lux. J.P.Morgan
GREEK DRACHMAS							
Greece‡	95bn	Nov.2002	11.0	100.30	10.94	-	Mitsubishi Fin. Intl.
PUNTS							
First National Bldg.Soc.†	75	Nov.2000	(r)	99.90R	-	-	ABN Amro Hoare Govett
DANISH KRONER							
KFW Intl. Fin.	400	Oct.2002	7.50	101.875	7.143	-	Kredietbank
SOUTH AFRICAN RAND							
ABN Amro Bank	250	Nov.1999	14.75	100.00R	14.75	-	ABN Amro Hoare Gvtt.
J.P. Morgan and Co	250	Nov.1997	14.5	100R	14.50	-	J.P.Morgan Secs.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¢With equity warrants. ★Unlisted. ‡Semi-annual coupon and yield. R: fixed re-offer price. L: pricing level. a) 3-mth Libor +15bp. b) $100m launched 12/10/95 increased to $150m. Puttable on 30/10/97 at 98⅞%. c) Plus 5 days accrued. d) Puttable on 30/10/97 at 99%. e) Conversion price: $36¾. Callable from 1/11/98 at 103% falling 1%pa to par. $15m greenshoe. f) Conversion price: $34.72. Callable from 18/10/98. g) Pays 3 month Libor + 35bp. Callable at par after 5yrs which margin steps up to 110bp. h) Tranche 1 of a $350 issue. i) Over interpolated yield. j) Tranche 2 of a $350 issue. Pays 3mth. Libor +35bp. k) Tranche 1 of a $1bn asset-backed 3 tranche issue, pays 91 day Treasury bill +57.5bp. l) Part of $696.25m asset-backed 2 tranche issue. To be priced. n) pays 3 mth Dibor +12.5bp. o) Fungible with 500bn issue launched 12/ 9/95. m) Tranche 2 of a $1bn asset-backed 3 tranche issue, pays 91 day Treasury bill +75bp r) Short 1st coupon. s) Issue launched 29/8/95 increased to Dm500. Note: Yields are calculated on ISMA basis.

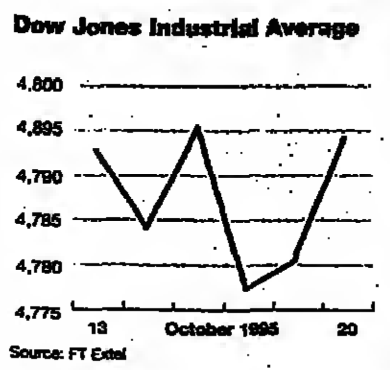
هكذا من الأصل

EQUITY MARKETS: This Week

NEW YORK

Lisa Bransten

Investors eye Washington budget battle



By the end of this week the stream of companies reporting third quarter earnings will have slowed to a trickle leaving equity investors more time to ponder broader macroeconomic and budgetary issues rattling other financial markets.

Last week brought sighs of relief from investors as technology giants Microsoft and Intel topped Wall Street's expectations for their quarterly earnings. That helped the Nasdaq composite end 2 per cent higher despite Friday's drop. But the news was mixed for broader indices, which ended the week much where they began amid mixed news from cyclical companies.

This week investors will focus attention on Washington, where politicians wrangling over the US budget package are refusing to extend the US borrowing limit.

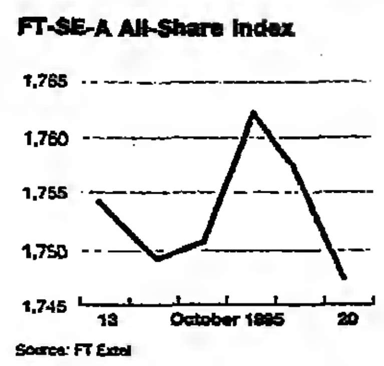
Few believe anyone in Washington is capricious enough to provoke a default, but there is no telling what the effects of the battle may be on financial markets.

On Thursday the Commerce department puts out figures on September durable goods orders. The median forecast is for the figure to be unchanged after August's 4.8 per cent advance. On Friday investors get a look at the Commerce department's estimate of the third quarter gross domestic product. Wall Street economists are looking for growth to have picked up to 2.5 per cent.

LONDON

Philip Coggan

GDP figure may support Clarke call on rate cut



The FT-SE 100 Index retreated at the end of last week from the all-time closing high of 3,593 achieved on Wednesday, as the various takeover rumours failed to translate into action.

With the dividend yield low by historical standards, and with shares getting little support from gilts, a substantial bid may be needed to give the market a further fillip.

There is little in the way of results to delight or disturb the market this week, with Wolseley, ICI and SmithKline Beecham the only Footsie stocks reporting figures.

On the economic front, the key statistic this week is likely to be today's initial estimate of third quarter gross domestic product growth.

The consensus of analysts' forecasts is for a 0.5 per cent quarter-on-quarter rise, the same as in the previous period. But because faster growth in 1994 is dropping out of the calculation, the annual GDP rise is expected to fall from 2.8 per cent to 2.3 per cent.

That rate is arguably below the UK's trend growth rate and may give Mr Kenneth Clarke, the chancellor, an argument in favour of lower interest rates when he next meets Mr Eddie George, the governor of the Bank of England, to discuss monetary policy.

However, at the moment, the short sterling future is not indicating that base rates will fall from their current level of 6.75 per cent before December.

OTHER MARKETS

AMSTERDAM

The third-quarter results season starts in earnest this week, *writes John Pitt.*

Traders hope this will kick-start what has been a relatively lacklustre market in recent months. Investors will in particular be awaiting the numbers from Philips on Thursday, with forecasts that the electronics group will show an improvement in net income of more than 20 per cent.

The company will have been helped by the tremendous enthusiasm shown for high-technology companies in recent months, even though the past week or so has seen some of the shine removed after US companies disappointed investors with their figures.

PARIS

Political troubles continue to haunt the equity market and most analysts have now recommended adopting an underweight position relative to the continent.

There was more bad corporate news last week, and matters are unlikely to improve much in the next five days. Accor, the hotels group, and L'Oreal are among those companies expected to publish interim figures. The fate of the franc remains uppermost in investors' minds; but any slackening in the administration's declared policy to defend the currency against speculators remains most unlikely.

MILAN

The market will be hoping for some clarification this week after Friday's rapidly deteriorating political picture increased the chances of an early general election.

Mr Silvio Berlusconi, the former prime minister, was doing his best to stir the political pot at the end of last week, demanding a vote of no confidence in the government, pencilled in for today, and threatening to oppose the budget proposals.

The fact that foreign investors have been giving the market a wide berth for some weeks has been reflected in the recent low level of turnover, at about L500bn a day.

The low level of business has also been compounded by inactive domestic funds as they wait to subscribe to the Eni offering, which could absorb as much as L10,000bn.

The Comit index, meanwhile, had been clinging to strong support around the 580 level until Friday's 570 point close. Some analysts believe that the way is now open down to around the 540 point level. However, there are as always optimists who believe that the market is now oversold, and could with luck be in for a short-term bounce to around 600.

ZURICH

Nine-month sales figures from Sandoz and third-quarter results from ABB, both on Thursday, will provida corporate focus for a market that posted a series of highs for the year last week.

Expectations for the Sandoz figures are high and the share has performed strongly in the wake of the nine-month reports from Roche and Ciba. Banks, however, have been at the centre of attention, thanks to the positive interest rate environment, with SBC in particular attracting interest at the expense of UBS.

NORDIC

Good third-quarter figures from SKF on Wednesday, and from Asea on Thursday, could lift the mood in Stockholm after last week's turbulence among the technology stocks.

In Norway, takeover speculation is building that another suitor is in the wings for Halfslund Nycomed, the country's largest healthcare company, which last week confirmed long-running speculation of a merger with Ivax Corp of the US.

Norsk Hydro reports third-quarter figures today and, says UBS, there could be positive surprises, given ICI's statements last week that fertiliser prices would continue to rise steeply over the next few months as steady demand meets a fall in manufacturing capacity.

HONG KONG

Hong Kong's Hang Seng Index, which last week pierced the 10,000 point barrier before consolidating, is expected to move back up towards the 10,000 level, although falls on Wall Street could postpone the upward trend, *writes Louise Lucas.*

There is a dearth of US economic data to affect Hong Kong this week and local investors will instead look to see if the much-touted flow of foreign funds is sufficiently strong and consistent to fuel a rally.

The picture at the end of last week was slightly skewed by volatility, precipitated by heavy trading of derivatives. Jardine Fleming, which claims to be "cautiously optimistic", warns that the market is not cheap but will benefit from falling interest rates and a recovering domestic economy. According to the brokerage, external liquidity could push valuations higher and facilitate the likelihood of a year-end score of 10,500 to 11,000 for the Hang Seng index.

TOKYO

While some investors remain wary over potential selling by domestic institutions above the 18,000 level, most market participants will be focused on the spate of mid-term earnings results this week, *writes Emiko Terazono.*

Brokers will release their unconsolidated half-year results today. The Big Four – Nomura, Daiwa, Nikko, and Yamaichi – are expected to post strong figures thanks to the rally in the bond market.

Electronics makers' profits are likely to be supported by the yen's decline against the dollar. The sector is likely to see further buying, especially if the rally in US high-technology stocks on Wall Street cootinues.

Compiled by Michael Morgan

International offers

Italy gets its act together over imminent Eni sell-off

International investors have been scanning the horizon for any trace of large Italian privatisations for so long, they could be forgiven for dismissing the fast-approaching flotation of Eni, the energy and chemicals conglomerate, as a mirage.

But the treasury, which owns all Eni's shares, is not bluffing when it says it wants to sell a large minority stake – some reports now suggest as moch as 20 per cent – by the end of November. Eni has already begun an expensive advertising campaign on Italian television, which stresses the sheer size of the group.

Last week a series of safeguards for small shareholders, plus a "golden share" for the government, were introduced into Eni's statutes, and the company announced it was applying for a listing on the New York Stock Exchange.

Some analysts estimate the sale could raise as much as $10bn, which would make it one of the biggest share issues of all-time.

So what happened to the political concerns, market oncertainty, and wrangling over regulatory issues which have dogged the rest of the Italian privatisation programme.

The Italian parliament seems close to approving regulatory authorities for the energy and telecoms sectors, but apart from that, most of the old worries are still about, and some of them are stronger than ever.

For example, the Milan equity market has plumbed new depths recently, driven down by worries about transparency over the plan to merge Gemina, the investment company, and Ferruzzi Finanziaria, the holding company. Meanwhile, in Rome, Mr Lamberto Dini's technocratic government has unexpectedly found itself under renewed pressure because of its attempts to oust Mr Filippo Mancuso, the rebel justice minister.

But at least when it comes to Eni's privatisation, political minds seem to have been concentrated by the risk that another high-profile delay in the sell-off programme would damage Italy's dented image abroad. As Ms Francesca Lolli, head of research at Finanziaria Indosuez in Milan, puts it: "I think there's agreement at the political level that this one has to go well."

At the same time, the treasury has won legal backing to go ahead with the Eni flotation without a regulatory authority in place, on the grounds that a majority of the shares will remain in government hands.

The legal decision makes one wonder why the government has bothered going through tedious parliamentary approval of a regulatory authority for Enel, given that it seems unlikely to sell off more than 50 per cent of the electricity producer in the first phase of privatisation.

One explanation may be that Enel is not yet ready for privatisation. Eni, under Mr Franco Bernabè, its young chairman, has been shouting how ready it is for months, in an attempt to get put to the top of the government's list.

After a long and painful restructuring programme the group announced its first dividend payout for 23 years in May, and Mr Bernabè claimed it was the fourth most profitable of the oil majors.

Eni's eagerness for privatisation should enable Imi of Italy, and Credit Suisse First Boston – global co-ordinators of the issue – to exploit a gap in the crowded calendar of international privatisations. A sale of Stet shares, by contrast, could now clash with next year's Deutsche Telekom sell-off and might feel the repercussions of sluggish demand for shares in Telefonica of Spain. Eni, on the other hand, could ride the wave of the success of the Repsol flotation in Spain earlier this year.

The treasury is even tailoring the sale of the rest of its stake in Ina, the insurance company, so as not to interfere with demand for Eni shares. The treasury placed an 18 per cent stake in Ina with friendly shareholders at the end of last month, raising L1,700bn. It has chosen to sell the rest of its shares – roughly 35 per cent of Ina's capital – through an issue of convertible bonds, between December and mid-January.

The main reason for the convertible offer is that a straight share issue would have to be priced below last year's Ina flotation price. That would irritate shareholders who bought into Ina at the sale of the first tranche, and depress the value of the shares only just sold to core shareholders. Another equity issue would also risk distracting investors from next month's Eni sale.

The change to Eni's statutes provides further safeguards for potential Eni shareholders. Some of the measures seem specifically aimed at preventing Mediobanca, the Milan merchant bank, from using its network of corporate allies to build up small stakes in Eni.

The treasury has again introduced a 3 per cent ceiling for shareholdings, and – under the "golden share" rules, used for the first time in this privatisation – will retain the right to veto any large investor which decides to buy the full 3 per cent stake. At the same time, as in the Ina privatisation, a clause has been introduced to impede "concert party" acquisitions of shares. Investors already linked in other companies' shareholder syndicates – as most of Mediobanca's allies are – will find their shares treated as though they belong to a single shareholder.

The treasury'a technicians now claim they have eliminated most political obstacles from the path of the Eni flotation. International funds are said to be reshuffling the Italian part of their equity portfolios to prepare for the arrival of Eni shares, which should offset the pronounced cyclical bias of the Milan market.

Whether the Eni privatisation will encourage international investors to increase their exposure to the unstable Italian market will depend on two linked factors: how the Dini government comes through its latest crisis, and just how generous the treasury and its advisers decide to be when it finally comes to pricing the offer.

Andrew Hill

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 20 / Sch)

BELGIUM/LUXEMBOURG (Oct 20 / Frs)

CZECH REP (Oct 20 / Koruna)

DENMARK (Oct 20 / Kr)

FINLAND (Oct 20 / Mkk)

FRANCE (Oct 20 / Frs)

GERMANY (Oct 20 / Dm)

GREECE (Oct 20 / Drachma)

ITALY (Oct 20 / Lira)

NETHERLANDS (Oct 20 / Fls.)

NORWAY (Oct 20 / Kroner)

POLAND (Oct 20 / Zloty)

PORTUGAL (Oct 20 / Escudo)

SPAIN (Oct 20 / Pts.)

SWEDEN (Oct 20 / Kronor)

SWITZERLAND (Oct 20 / Frs.)

TURKEY (Oct 20 / Tk Lira)

PACIFIC

JAPAN (Oct 20 / Yen)

HONG KONG (Oct 20 / H.K.$)

INDONESIA (Oct 20 / Rupiah)

MALAYSIA (Oct 20 / MYR)

NEW ZEALAND (Oct 20 / NZ $)

SINGAPORE (Oct 20 / S$)

AUSTRALIA (Oct 20 / Aust$)

SOUTH KOREA (Oct 20 / Won)

TAIWAN (Oct 20 / TW $)

THAILAND (Oct 20 / Baht)

AFRICA

SOUTH AFRICA (Oct 20 / Rand)

NORTH AMERICA

CANADA

TORONTO (Oct 20 / Can $)

MONTREAL (Oct 20 / Can $)

INDICES

	Oct 20	Oct 19	Oct 18	1995 High		1995 Low	
MIB General (2/1/95)	902.0	929.0	927.0	1076.00	10/2	902.00	20/10
Japan							
Nikkei 225 (16/5/49)	18157.33	17955.36	17885.97	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	271.32	269.13	267.14	286.16	4/1	222.28	13/6
CROSS-BORDER							
Eurotrack 100(26/10/90)	1380.47	1389.54	1412.52	1486.69	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1261.81	1270.69	1280.72	1316.68	15/9	1117.34	9/3
JCapelDrgms (31/12/88)	(u)	334.25	334.84	340.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	146.69	146.91	147.23	158.87	2/1	117.15	10/3

US INDICES

Industrials▼	686.25	691.54	686.87	691.54 (19/10)	546.28 (3/1)	691.54 (19/10/95)	3.62 (21/5/32)
Financial	59.85	60.94	61.39	61.39 (18/10)	41.64 (3/1)	61.39 (19/10/95)	8.64 (1/10/74)
NYSE Comp.	313.83	315.39	314.29	315.39 (19/10)	250.73 (3/1)	315.39 (19/10/95)	4.46 (25/4/42)
Amex Mkt Val	531.67	534.11	535.16	563.58 (13/9)	433.12 (6/1)	563.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1039.53	1046.97	1045.37	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Oct 13	Oct 6	Sep 29	Year ago
Dow Jones Ind. Div. Yield	2.42	2.43	2.42	2.71
	Oct 11	Oct 4	Sep 27	Year ago
S & P Ind. Div. yield	2.09	2.08	2.07	2.43
S & P Ind. P/E ratio	17.74	17.87	17.94	20.33

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
WalMart	6,542,600	23¾	+¼
De Rigo SPA	5,274,400	18½	+2½
AT&T	5,177,100	61¼	−1⅛
LSI Logic	4,698,500	49¾	−5⅝
IBM	4,417,300	95⅛	−2¼
Citicorp	3,981,400	65⅝	−1⅛
Compaq	3,848,100	11⅛	−⅜
Silicon Grph	3,794,400	32⅛	−½
Nokia	3,552,000	57⅝	−2
CocaCola	3,304,000	72⅝	−1

■ TRADING ACTIVITY

● Volume (million)

	Oct 20	Oct 19	Oct 10
New York SE	380.127	406.620	411.280
Amex	18.555	19.465	23.748
NASDAQ	(u)	494.415	568.894
NYSE			
Issues Traded	3,018	3,059	3,044
Rises	928	1,079	1,153
Falls	1,322	1,191	1,068
Unchanged	768	789	823
New Highs	139	148	212
New Lows	50	48	37

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Oct	1770.0	1747.0	−18.5	1776.0	1740.0	20,876	26,029
Nov	1779.0	1756.0	−18.5	1783.0	1753.0	1,727	6,577
■ DAX							
Dec	2187.0	2157.0	−32.0	2197.5	2148.0	27,525	–
Mar	2211.0	2177.5	−28.5	2215.0	2174.5	39	–
■ OMX							
Oct	1412.00	1401.00	−13.00	1415.00	1395.25	5,372	11,821
Nov	1420.00	1410.75	−14.00	1425.00	1405.00	1,389	5,376
■ SOFFEX							
Oct	3124.8	3133.6	+4.7	3136.0	3120.0	3,291	8,236
Nov	3130.0	3119.0	−17.0	3140.0	3117.5	5,986	11,851
■ S&P 500							
Dec	593.60	589.65	−4.40	594.95	589.50	68,528	189,771
Mar	598.40	594.40	−4.15	598.80	594.10	775	9,499
■ Nikkei 225							
Dec	18010.0	18200.0	+190.0	18260.0	18000.0	19,371	158,867
Mar	18080.0	18240.0	+200.0	18240.0	18080.0	185	4,560

Open interest figures for previous day.

** Sat Oct 14. Taiwan Weighted Price 5016.61; Korea Comp Ex 1018.77. Base values of all Indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 20 - 2149.12 -27.97.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Friday, October 20, 1995

	Stocks Traded	Closing Prices	Change on day
OKI Electric	12.0m	968	+6
Haseko Corp	8.3m	356	+5
Mitsubishi Heavy	7.4m	793	+11
Toshiba Corp	7.4m	753	+18
Fujitsu	6.8m	1240	+10
Sumitomo Osaka	5.6m	435	+22
NEC Corp	4.3m	1410	+40
Nippon Steel	3.8m	351	+3
Hitachi	3.7m	1060	+10
Tokuyama	3.5m	749	+13

هكذا من الأصل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Oct 20		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5038	-0.1352	944 - 132	15.5887	15.4830	15.4734	2.4	15.4148	2.3	-	-	107.5
Belgium	(BFr)	45.3455	-0.3923	114 - 796	45.7370	45.0250	45.2505	2.5	45.0805	2.5	44.3255	2.2	110.2
Denmark	(DKr)	8.5679	-0.0659	628 - 730	8.6261	8.5599	8.5602	1.1	8.5437	1.1	8.4812	1.0	110.4
Finland	(FM)	6.6885	-0.017	812 - 757	6.7030	6.6420	6.6841	0.8	6.656	0.7	-	-	88.2
France	(FFr)	7.7508	-0.0472	475 - 540	7.8138	7.7417	7.7577	-1.1	7.7633	-0.8	7.7579	-0.1	109.2
Germany	(DM)	2.2031	-0.0182	019 - 043	2.2249	2.1982	2.198	2.8	2.1886	2.8	2.1476	2.5	113.2
Greece	(Dr)	363.095	-2.027	585 - 604	366.012	362.211	-	-	-	-	-	-	67.5
Ireland	(I£)	0.9779	-0.0005	770 - 787	0.9788	0.9762	0.9771	1.0	0.9758	0.9	0.9726	0.5	97.0
Italy	(L)	2523.18	+18.17	080 - 555	2528.12	2514.23	2530.43	-3.4	2545.33	-3.5	2613.48	-3.6	69.3
Luxembourg	(LFr)	45.3455	-0.3923	114 - 796	45.7370	45.0250	45.2505	2.5	45.0805	2.5	44.3256	2.2	110.2
Netherlands	(Fl)	2.4669	-0.0225	653 - 685	2.4802	2.4610	2.4604	3.1	2.4495	2.8	2.4033	2.6	110.3
Norway	(NKr)	9.7241	-0.0562	172 - 309	9.8405	9.6995	9.7117	1.5	9.6998	1.4	9.0143	1.1	99.7
Portugal	(Es)	232.949	-1.283	796 - 101	235.917	232.228	233.489	-2.8	234.709	-3.0	-	-	95.5
Spain	(Pta)	190.814	-1.302	714 - 914	192.587	190.428	191.314	-3.1	192.254	-3.0	198.654	-3.1	81.8
Sweden	(SKr)	10.5738	-0.075	642 - 834	10.6971	10.5477	10.576	-0.2	10.5806	-0.3	10.6039	-0.3	84.7
Switzerland	(SFr)	1.7985	-0.0127	973 - 997	1.8138	1.7953	1.7914	4.7	1.7795	4.2	1.7266	4.0	115.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.6
Ecu	-	1.2031	-0.0053	024 - 037	1.2129	1.2013	1.202	1.1	1.1998	1.1	1.1904	1.1	-
SDR†	-	1.05080	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5756	+0.0043	750 - 762	1.5777	1.5703	-	-	-	-	-	-	-
Brazil	(R$)	1.5147	+0.0078	141 - 152	1.5156	1.5067	-	-	-	-	-	-	-
Canada	(C$)	2.1225	+0.0227	214 - 235	2.1250	2.1100	2.1218	0.5	2.1214	0.2	2.1265	-0.2	84.7
Mexico	(New Peso)	10.5277	+0.0222	165 - 389	10.5433	10.4981	-	-	-	-	-	-	-
USA	($)	1.5760	+0.0045	755 - 765	1.5785	1.5709	1.5749	0.8	1.5729	0.8	1.5619	0.9	82.4
Pacific/Middle East/Africa													
Australia	(A$)	2.1004	+0.012	990 - 017	2.1028	2.0981	2.1017	-0.7	2.1046	-0.8	2.1193	-0.9	85.4
Hong Kong	(HK$)	12.1865	+0.0353	818 - 911	12.2046	12.1475	12.183	0.3	12.1706	0.5	12.137	0.4	-
India	(Rs)	56.0663	+0.9616	303 - 022	56.2230	54.9760	-	-	-	-	-	-	-
Israel	(Shk)	4.7164	+0.0107	117 - 210	4.7213	4.7017	-	-	-	-	-	-	-
Japan	(Y)	157.687	-0.485	566 - 808	158.930	157.280	156.772	7.0	156.162	6.4	148.237	6.0	143.0
Malaysia	(M$)	3.9802	+0.0081	781 - 822	3.9875	3.9708	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3867	-0.0004	850 - 883	2.3886	2.3845	2.3926	-3.0	2.4019	-2.5	2.4275	-1.7	101.1
Philippines	(Peso)	40.8657	+0.1166	739 - 575	40.9620	40.7716	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9108	+0.0169	086 - 130	5.9200	5.8920	-	-	-	-	-	-	-
Singapore	(S$)	2.2395	+0.0009	380 - 410	2.2454	2.2342	-	-	-	-	-	-	-
South Africa	(R)	5.7418	+0.0063	388 - 448	5.7552	5.7270	-	-	-	-	-	-	-
South Korea	(Won)	1209.71	+4.55	825 - 918	1210.10	1204.88	-	-	-	-	-	-	-
Taiwan	(T$)	42.6197	+0.0986	991 - 403	42.6037	42.3892	-	-	-	-	-	-	-
Thailand	(Bt)	39.5340	+0.0815	135 - 544	39.6050	39.4200	-	-	-	-	-	-	-

1 Rates for Oct 19. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 20		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	9.8375	-0.1142	346 - 403	9.9320	9.8290	9.8224	1.8	9.7923	1.8	9.683	1.6	107.2
Belgium	(BFr)	28.7725	-0.332	600 - 850	29.0500	28.5800	28.7315	1.7	28.6525	1.7	28.3525	1.5	109.4
Denmark	(DKr)	5.4365	-0.0575	350 - 380	5.4840	5.4303	5.4372	-0.2	5.433	0.3	5.4425	-0.1	109.3
Finland	(FM)	4.2313	-0.0229	280 - 345	4.2671	4.2208	4.2309	0.1	4.2288	0.1	4.2253	0.1	87.8
France	(FFr)	4.9180	-0.0442	175 - 185	4.9650	4.9122	4.9265	-2.1	4.9365	-1.5	4.958	-0.8	108.4
Germany	(DM)	1.3979	-0.0162	975 - 982	1.4120	1.3951	1.3957	1.9	1.3913	1.9	1.3728	1.8	111.8
Greece	(Dr)	230.390	-1.95	140 - 640	232.770	230.070	232.115	-6.0	235.315	-8.6	248.79	-8.0	66.8
Ireland	(I£)	1.6117	+0.0055	108 - 126	1.6135	1.6065	1.6118	-0.1	1.6119	-0.1	1.6194	-0.4	-
Italy	(L)	1601.00	+5.7	000 - 200	1605.90	1597.25	1607.75	-5.1	1619.6	-4.7	1677	-4.7	69.7
Luxembourg	(LFr)	28.7725	-0.332	600 - 850	29.0500	28.5800	28.7315	1.7	28.6525	1.7	28.3525	1.5	109.4
Netherlands	(Fl)	1.5653	-0.0188	648 - 658	1.5831	1.5632	1.5626	2.0	1.5575	2.0	1.5375	1.9	109.2
Norway	(NKr)	6.1701	-0.0534	677 - 725	6.2595	6.1580	6.1663	0.7	6.1601	0.6	6.1501	0.3	98.6
Portugal	(Es)	147.810	-1.24	760 - 860	149.760	147.400	148.275	-3.8	149.285	-4.0	153.91	-4.1	95.5
Spain	(Pta)	121.075	-1.175	050 - 100	122.250	120.830	121.455	-3.8	122.225	-3.6	125.72	-3.6	81.0
Sweden	(SKr)	6.7093	-0.0669	053 - 132	6.7977	6.7008	6.7268	-3.1	6.7633	-3.2	6.9318	-3.3	83.8
Switzerland	(SFr)	1.1412	-0.0115	408 - 416	1.1520	1.1397	1.1376	3.6	1.1315	3.4	1.1037	3.3	114.8
UK	(£)	1.5760	+0.0045	755 - 765	1.5785	1.5708	1.5740	0.9	1.5729	0.9	1.5610	0.9	83.3
Ecu	-	1.3100	+0.0095	097 - 103	1.3120	1.2990	1.3104	-0.4	1.3111	-0.3	1.3134	-0.3	-
SDR†	-	0.66845	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0001	997 - 998	0.9998	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	0.9611	+0.0022	610 - 611	0.9612	0.9602	-	-	-	-	-	-	-
Canada	(C$)	1.3468	+0.0108	465 - 470	1.3483	1.3415	1.3473	-0.4	1.3486	-0.5	1.3588	-0.9	84.4
Mexico	(New Peso)	6.6800	-0.005	750 - 850	6.6850	6.6750	6.6822	-0.4	6.6854	-0.3	6.6903	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3326	+0.0037	323 - 332	1.3363	1.3322	1.3344	-1.6	1.338	-1.8	1.3577	-1.9	86.8
Hong Kong	(HK$)	7.7325	-0.0003	320 - 330	7.7332	7.7317	7.734	-0.2	7.736	-0.2	7.7562	-0.3	-
India	(Rs)	35.5750	+0.51	000 - 500	35.7000	34.8500	35.725	-5.1	36.03	-5.1	37.5	-5.4	-
Israel	(Shk)	2.9926	-0.0016	906 - 946	3.0020	2.9844	-	-	-	-	-	-	-
Japan	(Y)	100.055	-0.595	010 - 100	100.770	100.000	99.56	5.9	98.64	5.7	94.765	5.3	143.0
Malaysia	(M$)	2.5255	-0.0021	250 - 260	2.5290	2.5240	2.5255	0.0	2.5259	-0.1	2.5335	-0.3	-
New Zealand	(NZ$)	1.5142	-0.0046	138 - 149	1.5180	1.5132	1.5183	-3.2	1.5258	-5.1	1.5505	-2.4	-
Philippines	(Peso)	25.9300	-	800 - 800	25.9800	25.8800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7508	3.7503	3.7511	-0.2	3.7519	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4210	-0.0035	205 - 215	1.4233	1.4202	1.4178	2.6	1.4113	2.7	1.3865	2.4	-
South Africa	(R)	3.6433	-0.0064	425 - 440	3.6485	3.6420	3.6686	-8.3	3.7186	-8.3	3.9498	-8.4	-
South Korea	(Won)	766.850	+0.7	800 - 000	768.300	766.400	769.95	-4.7	773.45	-3.4	791.95	-3.3	-
Taiwan	(T$)	26.9795	-0.0145	750 - 840	26.9930	26.9740	26.9995	-0.9	27.0395	-0.9	-	-	-
Thailand	(Bt)	25.0850	-0.02	800 - 900	25.1080	25.0750	25.1725	-4.2	24.82	4.2	26.04	-3.8	-

† SDR rate per $ for Oct 19. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 10. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 20	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	4 1/2	4 1/4	4 1/4	4 1/4	4 1/8	8.00	3.50	-
week ago	4 1/8	4 1/8	4 1/4	4 1/4	4 3/8	8.00	3.50	-
France	6 3/4	6 7/8	6 5/8	6 5/8	6 1/8	5.00	-	7.00
week ago	8 1/4	6 7/8	6 1/4	6 1/2	6 1/8	5.00	-	7.25
Germany	4 1/4	4 1/4	4 1/4	4 1/4	4 1/4	5.50	3.50	4.03
week ago	4 1/8	4 1/4	4 1/4	4	4	5.50	3.50	4.03
Ireland	5 3/4	5 3/4	5 3/4	6	6 1/4	-	-	6.25
week ago	5 3/4	5 3/4	5 3/4	6	6 1/4	-	-	6.25
Italy	10 1/4	10 1/4	10 1/4	10 1/4	10 1/4	-	9.00	10.36
week ago	10 1/8	10 1/4	10 1/4	10 1/4	10 1/4	-	9.00	10.36
Netherlands	3 3/4	3 7/8	3 7/8	3 7/8	4 1/8	-	3.50	3.70
week ago	3 3/4	3 7/8	4	4	4 1/4	-	3.50	3.80
Switzerland	2	2	2 1/8	2 1/8	2 1/4	5.00	2.00	-
week ago	1 7/8	2	2 1/8	2 1/4	2 1/4	5.00	2.00	-
US	5 7/8	5 3/4	5 3/4	5 3/4	5 3/4	-	5.25	-
week ago	5 7/8	5 3/4	5 3/4	5 3/4	5 3/4	-	5.25	-
Japan	1/2	1/2	1/2	1/2	1/2	-	0.50	-
week ago	1/2	1/2	1/2	1/2	1/2	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 7/8	5 3/4	5 3/4	5 7/8	-	-	-
week ago	-	5 7/8	5 3/4	5 3/4	5 7/8	-	-	-
US Dollar CDs	-	5.60	5.60	5.61	5.94	-	-	-
week ago	-	5.60	5.60	5.60	5.64	-	-	-
ECU Linked Ds	-	5 3/4	5 3/4	5 3/4	5 3/4	-	-	-
week ago	-	5 3/4	5 3/4	5 3/4	5 3/4	-	-	-
SDR Linked Ds	-	3 3/4	3 3/4	3 3/4	3 3/4	-	-	-
week ago	-	3 3/4	3 3/4	3 3/4	3 3/4	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 20	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 3/16 - 4 1/16	4 3/16 - 4 1/16	4 1/4 - 4 1/8	4 1/4 - 4 1/8	4 3/8 - 4 1/4	4 7/16 - 4 5/16
Danish Krone	5 1/2 - 5	5 1/2 - 5 1/4	5 5/8 - 5 3/8	5 3/4 - 5 5/8	5 7/8 - 5 5/8	5 13/16 - 5 11/16
D-Mark	4 1/8 - 4	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 1/16 - 3 15/16
Dutch Guilder	3 7/8 - 3 3/4	3 7/8 - 3 3/4	3 15/16 - 3 13/16	3 15/16 - 3 13/16	4 - 3 15/16	4 1/8 - 4 1/32
French Franc	6 1/4 - 5 7/8	7 1/4 - 6 3/4	7 1/8 - 6 15/16	7 1/16 - 6 15/16	7 1/16 - 6 13/16	6 3/4 - 6 7/16
Portuguese Esc.	9 15/16 - 8 13/16	8 7/8 - 8 3/4	8 - 8 7/8	9 1/4 - 9 1/8	9 1/4 - 9 1/8	9 3/4 - 9 3/8
Spanish Peseta	9 7/16 - 9 3/16	9 7/16 - 9 3/16	9 3/8 - 9 1/4	9 1/2 - 9 3/8	9 9/16 - 9 7/16	9 3/4 - 9 5/8
Sterling	6 13/16 - 6 9/16	6 11/16 - 6 9/16	6 3/4 - 6 5/8	6 3/4 - 6 11/16	6 23/32 - 6 23/32	6 27/32 - 6 13/16
Swiss Franc	1 7/8 - 1 3/4	1 7/8 - 1 3/4	2 - 1 7/8	2 1/8 - 2	2 1/4 - 2 1/8	2 1/4 - 2 1/8
Can. Dollar	6 1/16 - 5 7/8	6 1/4 - 6 1/16	6 7/16 - 6 5/16	6 9/16 - 6 7/16	6 11/16 - 6 9/16	6 3/4 - 6 5/8
US Dollar	5 3/4 - 5 1/2	5 13/16 - 5 11/16	5 7/8 - 5 3/4	5 13/16 - 5 3/4	5 7/8 - 5 11/16	5 7/8 - 5 11/16
Italian Lira	9 13/16 - 8 13/16	10 13/16 - 10 5/16	10 5/8 - 10 1/8	10 13/16 - 10 5/16	11 - 10 1/2	11 - 10 1/2
Yen	5/8 - 1/2	1/2 - 1/4	3/8 - 1/8	1/2 - 3/8	1/2 - 3/8	1/4 - 1/16
Asian $Sing	2 7/8 - 2 3/4	3 1/16 - 2 15/16	3 1/16 - 2 15/16	3 1/16 - 2 15/16	3 1/16 - 2 15/16	3 1/8 - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.25	94.21	-0.04	94.25	94.19	74,660	392,835
Mar	94.43	94.38	-0.05	94.44	94.36	93,280	387,765
Jun	94.44	94.36	-0.07	94.44	94.34	50,175	250,385

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.82	94.80	-0.04	94.82	94.79	595	11,618
Mar	94.89	94.88	-0.05	94.90	94.85	483	3,997
Jun	94.88	94.88	-0.06	94.88	94.88	25	169

All Open interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.89	17.09	4.858	2.157	5563	5.440	21.44	513.0	420.7	23.31	3.967	2.205	4.681	3.475	347.7	2.653
Denmark	(DKr)	52.93	10	9.046	2.571	1.141	2945	2.876	11.35	271.8	222.7	12.34	2.100	1.167	2.476	1.839	184.1	1.404
France	(FFr)	58.51	11.05	10	2.842	1.262	3255	3.183	12.55	300.5	246.2	13.64	2.321	1.290	2.739	2.033	203.5	1.552
Germany	(DM)	20.59	3.889	3.518	1	0.444	1145	1.120	4.414	105.7	86.61	4.798	0.817	0.454	0.964	0.715	71.58	0.546
Ireland	(I£)	46.37	8.781	7.925	2.253	1	2580	2.522	9.943	238.1	195.1	10.81	1.839	1.022	2.171	1.611	161.2	1.230
Italy	(L)	1.797	0.340	0.307	0.087	0.039	100.	0.098	0.385	9.231	7.562	0.419	0.071	0.040	0.084	0.062	6.250	0.048
Netherlands	(Fl)	18.38	3.473	3.142	0.893	0.396	1023	1	3.942	94.41	77.34	4.285	0.729	0.405	0.861	0.639	63.92	0.488
Norway	(NKr)	46.64	8.811	7.971	2.266	1.006	2595	2.537	10	239.5	196.2	10.87	1.850	1.028	2.183	1.621	162.2	1.237
Portugal	(Es)	19.47	3.679	3.328	0.946	0.420	1083	1.059	4.175	100.	81.92	4.538	0.772	0.429	0.912	0.677	67.71	0.517
Spain	(Pta)	23.77	4.491	4.062	1.155	0.513	1322	1.293	5.096	122.1	100.	5.540	0.943	0.524	1.113	0.826	82.65	0.631
Sweden	(SKr)	42.90	8.106	7.333	2.084	0.925	2387	2.334	9.200	220.3	180.5	10	1.702	0.946	2.009	1.491	149.2	1.138
Switzerland	(SFr)	25.21	4.763	4.309	1.225	0.544	1402	1.371	5.405	129.5	106.1	5.875	1	0.556	1.180	0.876	87.66	0.669
UK	(£)	45.35	8.568	7.751	2.203	0.978	2523	2.467	9.724	232.9	190.8	10.57	1.799	1	2.123	1.576	157.7	1.203
Canada	(C$)	21.36	4.036	3.651	1.038	0.461	1188	1.162	4.580	109.7	89.87	4.979	0.847	0.471	1	0.742	74.28	0.567
US	($)	28.76	5.437	4.918	1.398	0.621	1601	1.565	6.170	147.6	121.1	6.707	1.141	0.635	1.347	1	100.1	0.763
Japan	(Y)	28.76	5.433	4.915	1.397	0.620	1600	1.564	6.166	147.7	121.0	6.703	1.141	0.634	1.346	0.999	100.	0.763
Ecu		37.70	7.122	6.443	1.831	0.813	2097	2.051	8.083	193.6	158.6	8.786	1.495	0.831	1.765	1.310	131.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7134	0.7174	+0.0047	0.7189	0.7102	29,708	49,658
Mar	0.7138	0.7206	+0.0049	0.7215	0.7138	393	2,637
Jun	-	0.7236	+0.0050	0.7235	-	1	69

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.8768	0.8814	+0.0045	0.8833	0.8730	13,855	32,427
Mar	0.8807	0.8891	+0.0048	0.8905	0.8807	46	1,771
Jun	-	0.8968	+0.0051	0.8970	-	380	402

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.0048	1.0057	+0.0018	1.0090	1.0009	10,142	58,514
Mar	1.0183	1.0209	+0.0021	1.0233	1.0183	296	6,895
Jun	1.0335	1.0353	+0.0024	1.0363	1.0335	2	333

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.5706	1.5704	-0.0018	1.5770	1.5682	8,151	35,708
Mar	1.5670	1.5668	-0.0018	1.5730	1.5650	3	211
Jun	-	1.5628	-0.0018	1.5670	1.5610	2	10

■ Pound in New York

Oct 20	—Close—	—Prev. close—
£ spot	1.5730	1.5765
1 mth	1.5716	1.5754
3 mth	1.5697	1.5742
1 yr	1.5586	1.5625

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	Dec	Jan	PUTS Nov	Dec	Jan
1.540	3.34	3.88	4.29	0.19	0.77	1.27
1.550	2.55	3.18	3.63	0.35	1.07	1.61
1.560	1.81	2.60	3.04	0.54	1.45	2.02
1.570	1.20	2.05	2.56	0.93	1.89	2.48
1.580	0.74	1.81	2.10	1.47	2.18	2.96
1.590	0.41	1.59	1.70	2.15	2.44	3.57

Previous day's vol., Calls 5,197 Puts 11,537. Prev. day's open int., Calls 237,681 Puts 267,673

FT GOLD MINES INDEX

	Oct 20	% chg since 30/12/94	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (34)	1815.17	-8.1	45.53	100.00	2.07	-	2304.73	1637.91
■ Regional Indices								
Africa (16)	2436.86	-23.0	13.15	28.89	4.46	21.14	3711.87	2428.10
Australasia (6)	2235.02	-8.9	5.66	12.44	2.24	24.91	2951.49	1788.20
North America (12)	1579.32	+2.3	26.71	58.67	0.85	45.33	1831.00	1348.19

Copyright, The Financial Times Limited 1995. "FT Gold Mines Index" is a trademark of The Financial Times Limited. Figures in brackets show number of companies. Base US Dollars. Base Values: 1000.00 31/12/92.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
50	F.P.	14.5	71	50	Consolidated Coal	66	-2	-	-	-	-
-	F.P.	5.85	130	120	†Euro Sales Fin	130		-	-	-	-
-	F.P.	0.62	28	17 1/2	German Sml Wts	19		-	-	-	-
-	F.P.	5.70	40	25	Hay O Robertson	38		v-	-	-	-
-	F.P.	11.7	119	112	†Indpt Radio	117		v-	-	-	-
45	F.P.	17.8	61	52	†MultiMedia	61		v-	-	-	-
-	F.P.	10.3	105	100	Murray Vct	105		-	-	-	-
-	F.P.	14.4	61	60	Pemberstone	60		v-	-	-	-
100	F.P.	30.9	104	99	Pictet British	103		-	-	-	-
400	F.P.	3.82	400	400	†Preston Nth End	400		v-	-	-	-
-	F.P.	-	1/2	1/2	Upton & Sthn Wts	1/2		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1995 High	Low	Stock	Closing price p	+or-
320	Nil	14/11	114pm	93pm	Alumasc	112pm	-1
105	Nil	24/11	17pm	5pm	Anglo-Eastn Plants	5pm	
18	Nil	28/10	2pm	1/4pm	Baris	2pm	
480	Nil	13/11	103pm	50pm	Forth Ports	91pm	
950	Nil	8/11	152pm	113 1/2pm	RMC	128pm	

pm premium.

UK INTEREST RATES

LONDON MONEY RATES

Oct 20	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/2 - 6 1/4	6 7/8 - 6 5/8	6 3/4 - 6 5/8	6 11/16 - 6 11/16	5 7/8 - 6 3/4	6 7/8 - 6 3/4
Sterling CDs	-	-	6 11/16 - 6 5/8	6 23/32 - 6 21/32	6 3/4 - 6 11/16	6 3/4 - 6 11/16
Treasury Bills	-	-	6 5/8 - 6 7/16	6 5/8 - 6 9/16	-	-
Bank Bills	-	-	6 11/16 - 6 1/2	6 5/8 - 6 9/16	6 5/8 - 6 7/16	-
Local authority deps.	6 3/4 - 6 1/2	6 7/8 - 6 3/4	6 13/16 - 6 3/4	6 3/4 - 6 5/8	6 13/16 - 6 11/16	6 7/8 - 6 3/4
Discount Market deps	7 - 6 1/2	6 3/4 - 6 1/2	-	-	-	-

UK clearing bank base lending rate 6 3/4 per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5 1/4	5 1/4	6	6 1/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/2pc.
Ave. tender rate of discount 6.5715pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 29, 1995. Agreed rate for period Oct 26, 1995 to Nov 25, 1995, Schemes II & III 8.04pc. Reference rate for period Sep 1, 1995 to Sep 29, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from October 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Oct 20	Oct 13		Oct 13	Oct 6
Bills on offer	£1500m	£1500m	Top accepted rate	6.5780%	6.6161%
Total of applications	£4449m	£5366m	Ave. rate of discount	6.5715%	6.6001%
Total allocated	£1500m	£1500m	Average yield	6.6810%	6.7105%
Min. accepted bid	£98.360	£98.350	Offer at next tender	£1500m	£1500m
Allotment at min. level	95%	22%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday October 18, 1995	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,294,651,363	+35,516,300
Bankers deposits	1,727,394,006	+19,387,325
Reserve and other accounts	3,331,599,444	-966,251,992
	6,368,197,813	-911,348,367
Assets		
Government securities	1,118,473,510	+29,766,251
Advance and other accounts	4,126,061,101	-1,537,716,358
Premises, equipment and other secs	1,108,459,213	+592,757,561
Notes	12,042,040	+3,882,848
Coin	161,940	-48,668
	6,368,197,815	-911,348,367
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	19,237,957,960	-33,882,848
Notes in Banking Department	12,042,040	+3,882,848
	19,250,000,000	-30,000,000
Assets		
Other Government securities	14,678,503,407	-689,755,774
Other Securities	4,571,496,593	+659,755,774
	19,250,000,000	-30,000,000

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	• Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	• Singer & Friedlander	6.75
• Henry Ansbacher	6.75	• Robert Fleming & Co	6.75	• Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	• Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	• Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	• Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	• Members of London Investment Banking Association	
• Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	• Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	• Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		• Rea Brothers	6.75		

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

STOCK INDICES

[illegible]

FT CONFERENCES

THE PETROCHEMICAL INDUSTRY • TOWARDS THE YEAR 2000
London, 20 & 21 November 1995

Authoritative figures from Europe, North America and the Asia-Pacific region will address this annual FT meeting, sharing their views on managing the boom-bust cycle; joint ventures; industry restructuring and privatisation plans. Speakers include: Mr Evert Henkes, Chemicals Coordinator, Shell International Chemical Company Ltd; Mr Bryan Sanderson, Chief Executive Officer, BP Chemicals; Mr Katsuharu Hoshi, Executive Managing Director, Mitsui Toatsu Chemicals Incorporated; Mr Edward Wilson, Vice President, Dow Europe SA; Mr Joseph Soviero, Corporate Vice President, Union Carbide Corporation; Dr Henk J Alkema, Associate Partner, Arthur Andersen & Co and Mr Antonio Sacristán Roy, Corporate Planning Co-Ordinator, PEMEX.

WORLD ELECTRICITY
London, 22 & 23 November 1995

Against a backdrop of rapid change and considerable opportunity, this annual meeting - the ninth in a series arranged jointly with Power in Europe - will examine the continuing trends of deregulation and liberalisation around the world. International experts will consider how utilities are responding to a more competitive environment and comment on the global power market in the late 1990s. Speakers include: Mr Jurgen Andersson, Minister for Housing and Energy, Sweden; Mr R E D Coldwell, Head of Government & Overseas Relations, The National Grid Company plc; Mr Gyorgy Hatvani, Chairman, MVM; Mr David Weaver, Vice President, Asia, CMS Energy Corp; Mr Reinier Lock, Counsel, LeBoeuf, Lamb Greene & MacRae LLP and Mr John Beaumont, Director of Marketing, Energis Communications Ltd.

FINANCIAL REPORTING IN THE UK: ACCOUNTING ISSUES, 1995-96
London, 23 November 1995

Developments in financial reporting have come thick and fast this year. The fifth annual FT conference on Financial Reporting provides accountants in practice and in industry with an opportunity to discuss these developments with the experts. Speakers include: Professor Sir David Tweedie, Chairman of the Accounting Standards Board; Sir Bryan Carsberg, Secretary-General of the International Accounting Standards Committee; Mr D John S Roques, Senior Partner & Chief Executive, Touche Ross & Co; Mr Kevin J Plummer, Group Chief Accountant at Guinness PLC; Dr David R Creed, Group Treasurer at Tate & Lyle PLC; Mr Ken Wild, National Accounting Technical Partner at Touche Ross & Co; Mr Malcolm Gammie, Tax Partner at Linklaters & Paines and Ms Liesel Knorr, Technical Director at the International Accounting Standards Committee.

BIOTECHNOLOGY
London, 27 & 28 November 1995

Biotechnology is still in its early years as an industry but holds the longer term potential of opening up new medical frontiers. This second FT conference, arranged in association with Pharmaceutical Business News and Biotechnology Business News, will examine how the sector is evolving and assess the new partnerships and strategic alliances being forged between biotech companies and pharma majors. Speakers include: Joshua Boger, President & CEO, Vertex Pharmaceuticals; Mr Paul Haycock, Chief Executive, Cantab Pharmaceuticals plc; Dr Simon Moroney, Chief Executive Officer, MorphoSys GmbH; Mr Robert S Esposito, Partner National Director, Life Sciences, KPMG Peat Marwick LLP; Mr Glen Travers, Chairman, Cortecs International Ltd; Mr James Noble, Finance Director, British Biotech plc and Mr Steven Burrill, Managing Partner, Burrill & Craves.

WORLD TELECOMMUNICATIONS - THE COMPETITORS YET TO COME
London, 5 & 6 December 1995

The World Telecommunications Conference organised annually by FT Conferences is the leading high-level telecommunications strategy event, with speakers and participants drawn from all over the world. This year the issues include: competing with the dominant incumbents; new forms of regulation; the argument for breaking into the local loop; the technology of tomorrow; and whether there will be enough investment funds available to satisfy the telco's demand for it. The conference takes place at the Hotel Inter. Continental in London.

THE OUTLOOK FOR NATURAL GAS
London, 11 & 12 December 1995

Gas is widely viewed as the fuel of the decade with production and use growing strongly worldwide. With the advantages of being seen as an environmentally friendly fuel and reserves that are set to out-strip oil, will the gas business fulfil its widely held promise or are expectations being set too high? An international panel of speakers will address this FT meeting which is arranged in association with International Gas Report.

COMMERCIAL AVIATION IN THE ASIA PACIFIC REGION
Singapore 4 & 5 February 1996

A prime opportunity for international airline operators and aircraft manufacturers to meet Asian customers and assess their requirements for new aircraft, and their plans for expansion through alliances is provided by this years conference. The future of air traffic rights in the region, the development of the national aircraft manufacturing industries in Asia, and opportunities in Asia's aviation growth markets- China and India will be discussed by leading industry experts.

FT NEW MEDIA AND BROADCASTING CONFERENCE
London, 26 & 27 February 1996

The impact and emerging opportunities arising from the transition to new digital technology on traditional terrestrial broadcasters, satellite and cable operators as well as the business issues - who will pay for the multi-channel future - will revenues be sufficient to justify the investment in the technologies will be discussed and debated at this years event.

All enquiries should be addressed to: FT Conferences, 102-108 Clerkenwell Road, London EC1M 5SA UK. Tel: 0171 814 9770 Fax: 0171 873 3975/3969

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

هكذا من الأصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Credit Investment Funds

Credit Commercial de France

Dean Witter World Wide Invest. Tst SA

The Dragon Fund Sicav

Emerging Markets Brewery Fund SICAV

Fidelity Int Inv Mngt (Luxembourg) SA

Fleming Group

Foreign & Colonial Emerging Markets Ltd

Global Funds Management S.A.

HSBC NAPT Luxembourg SA

Henderson Independent Fund

INVESCO International Ltd

Lloyds Bank Luxembourg (a)

Mercury Asset Management

Merrill Lynch Asset Management

Merrill Lynch Asset Management - Contd.

Morgan Stanley Sicav

Nikko Asia Convertible Bond Fund

Nomura Asian Infrastructure Fd SICAV

Pacific Basin Growth Fund

Rosenberg Global Mngt Co SA (a)

Schroder (Switzerland) Fund

SCUTECH SA

Societe Generale Group

State Street Luxembourg SA

Swiss Bank Corporation

Templeton Emerging Asia

World Trust Fund

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Abtrust International Ltd

Albany International Assurance Ltd

Allied Dunbar International Assce Ltd

Equitable Life International

Fleming International Ltd

Friends Provident International

Isle of Man Assurance Ltd

Lehrow International Group

Old Mutual International

Professional Investment Consultants

Royal Life International

Royal Life International - Contd.

Royal Skandia Life Assurance Ltd

Sun Life International (IOM) Ltd

OTHER OFFSHORE FUNDS

ATSP Management Ltd

AXA Asset Management

Abtrust Fund Mngrs (Guernsey) Ltd

Acciones y Valores de Mexico SA de CV

Africa Emerging Markets Fund

Alliance Capital

Alpha Fund Management

Asia Pacific Capital Strategies Fund

Arnhold and S. Bleichroeder, Inc

Bank of Bermuda

Barclays

Bermuda International

Chameleon Funds Limited

Chescor Indian Investment Company Ltd

The China Fund

Citibank Global Asset Mngmt (Asia) Ltd

Craig Drill Capital Ltd

Credit Investment Funds

Crosby Asset Management Ltd

Crystal Corporation N.V.

DWS Deutsche Ges. F. Wertpapiersp

Daiwa International Capital Mngt (Sgp) Ltd

Dresdner Bank

Dublin & London

Eagle Star Intl Life

EBS Overseas Fund Ltd

East Europe Development Fund Ltd

Enterprise Capital

Eurogrowth

Formosa Fund

Formosa Growth Fund Limited

Forum Executive Management Ltd

Frank Russell Investments (Cayman) Ltd

Futures Fund Management Ltd

GAM

Global Asset Management - Contd.

Global Asset Management Corporation

Govett

Green Valley

Guardian Global Asset Management Ltd

Gryphon Bond Fund Ltd (Bermuda)

Hansberger

Hill Samuel

India Investment AG

The India Magnum Fund NV

Infinity Capital Corporation

Integral Hedged Assets Ltd

Japan Fund

The Jupiter Tyndall (Bermuda) Ltd

Johnson Fry Securities Ltd

Korea Investment Trust Co Ltd

Lazard Brothers

Lloyds Bank Government Bonds

Lloyds Bank International (Bahamas) Ltd

Lloyds Bank International

Magna Asset Management Ltd

Malaysia Capital Fund Ltd

Malaysia Fund (Labuan)

Malaysia Growth Fund

Merrill Lynch Asset Management

Morgan Stanley Emerging Markets Fund

Mondrian

National Investment Trust Company Ltd

New Europe

North Star Fund Managers (Cayman) Ltd

Optima Fund Management

Oryx International Growth Fund Ltd

Pictet

Prospect Asset Management (CI) Ltd

Regent Fund Management Ltd

Regent King Pin Capital Management Ltd

Republic Funds

Rothschild

Schroder Investment Mngmt (Singapore) Ltd

Selective Assets Management Ltd

Sri Lanka Growth Fund

Swiss Bank Corporation

Taiwan Opportunities Fund Ltd

Templeton Galbraith & Hansberger Ltd

The Thai-Euro Fund Ltd

The Thailand Fund

The Thailand Intl Fund Ltd

Titan Capital Management

Trans Global Funds Group

Ultra Fund

Vale Investment Management

Wellington Fd Mngrs (Bermuda) Ltd

Zweig-DiMenna International Ltd

MANAGED FUNDS NOTES

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf.		80½	—	8%	–	Jan Dec	14.11	1757
9¼pc Non-Cum Prf		44	—	9¼%	–	Jan Jul	14.11	1427
Cater Allen		483	—	29.0	2.2	Jan Aug	3.7	2081
Close Bros.		316xd	2.3	8.7	Φ	Apr Nov	9.10	2156
Gerrard & Nat		449	—	22.5	1.3	Jul Dec	10.7	2686
Hambros		205	-3.8	7.5	0.3	Aug Dec	19.6	2812
7½pc Cv Pf		102	-2.4	7½%	–	Oct Apr	4.9	4388
Joseph (L)		423	-.5	17.85	1.8	Sep Dec	17.7	3060
King & Shaxson		127	-1.8	9.0	1.4	Jan Jul	26.5	3088
Rea Brothers		45	-2.2	1.8	2.4	May Sep	14.8	3725
Schroders		1334xd	0.4	14.17	5.1	May Oct	18.9	3939
N/V		1125xd	1.8	14.17	5.1	May Oct	18.9	3941
Singer & Fried		106xd	-.8	3.7	2.7	Nov Jun	25.9	4026
8½pc Cv Ln 09/14		£129½	—	8½%	–	–	19.10	4845
Union		108	-.9	3.0	–	Apr Aug	31.7	4393
Wintrust		295	—	11.35	1.5	Mar Oct	28.8	4524

BANKS, RETAIL

CHEMICALS

BREWERIES

DISTRIBUTORS

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

EXTRACTIVE INDUSTRIES - Cont.

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS - Cont.

BUILDING & CONSTRUCTION

DIVERSIFIED INDUSTRIALS

FOOD PRODUCERS

INVESTMENT TRUSTS

BUILDING MATS. & MERCHANTS

ELECTRICITY

GAS DISTRIBUTION

ENGINEERING, VEHICLES

HEALTH CARE

ELECTRONIC & ELECTRICAL EQPT

EXTRACTIVE INDUSTRIES

INV TRUSTS SPLIT CAPITAL

HOUSEHOLD GOODS

هكذا من الأجل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OIL, INTEGRATED - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£31¾	—	Q478c	ф	Oct Apr	3'93	–
Barlow	♣	88	0.8	Q56c	2.8	Jan Jul	19.6	–
Gold Flds Prop R		146xa	4.3	Q80c	2.1	Feb Sep	1'94	–
MK Props		88	—	Q67.1c	–	Feb Sep	10'93	–
SASOL	♥	647	–.4	Q78c	–	Oct	6'93	–
SA Brews		2201⁄2	2.8	Q200c	ф	Jun Dec	30.5	–
Standard Bank	□	223½	4.9	Q264c	3.1	Sep Mar	–	–
Tiger Oats		1087	6.6	Q85c	2.8	Jan Aug	19.8	–
Tongaat-Hulett	†h	850	7.5	Q80c	2.4	Jun Jun	15.5	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "v" is shown in the Notes field, indicating that the cover is calculated on a "nil" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡1 Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions: Sing & Fried 8½pc Cv Ln 08/14 (Bk Mer), Total (Oil Integ), Universal Salvage (Supp Servs), Omnicare, Neilson Cobbold & SCS Sat Comms Systs (AIM). Deletions: VSEL (Eng), Alex & Alex 11pc Debs 07 (Insce), First Nat Fin, Smith New Ct, Do Cv Pf (Other Fin), Treasury 12¾ Ln 95 (Gilts).**

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Please quote the code FT1795. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

Both Annual Reports and FT Company Focus are available from the above number.

FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

4 pm close October 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
19	12⅛	AAR	0.48	2.7	23	80	17¼	17½	17½	-¼
46¼	35	AMP	0.92	2.3	21	6884	40⅛	39⅞	40⅛	+⅛
80¼	53⅜	AMR			17	5813	68	64¾	64⅞	-⅜
47⅞	39⅛	ASA	1.71	4.3	26	526	39⅞	39⅝	39⅝	-⅛
44¾	30¾	AbbtL x	0.84	2.1	10	10089	41	40⅜	40½	-¼
18⅞	12	Abitibi Pr	0.40	2.4	20	2301	17¼	17	17	-⅜
27⅞	21	ABM Ind	0.60	2.2	15	26	27	26½	27	+½
17½	13½	Acptocdn			10	1262	15¼	14⅞	15¼	
35⅞	21⅞	ACE Ltd	0.58	1.0	8	252	35¼	35	35⅛	-⅛
9⅞	8⅜	ACM Gvt In	0.90	9.4	8	494	9⅝	9½	9⅝	+⅛
7¾	6½	ACM GvOpp	0.66	8.5		104	7⅜	7¼	7⅜	
7½	5¾	ACM Gvt Sp	0.75	10.7		133	7	6⅞	7	
8¾	7¼	ACM Gvt Se	0.90	10.4		217	u8¾	8⅝	8⅝	
9½	7⅝	ACM Man	0.80	10.3		103	8¾	8⅝	8¾	
20¼	10¼	AcmeClv	0.48	1.9	12	107	25⅛	24¾	24¼	-⅛
38¾	0¼	Acme Elect			76	103	9⅜	9⅛	9⅛	-⅛
34½	23¾	Acordia	0.72	2.7	12	87	26¼	25¾	26¼	+⅝
19½	8⅝	Actava	0.36	1.9	13	838	19	18½	18½	-⅛
18¾	10⅛	Acuson			31	138	12¼	12	12	-¼
18⅞	15⅝	Adams Expr	0.48	2.6	0	91	u18⅞	18¾	18¾	
38⅞	24⅛	AdvMic			8	6598	27	26¼	26¼	-⅞
9½	5	Advest Grp	0.16	1.7	17	89	u9½	9¼	9⅜	
25⅝	16½	Advo Inc	0.10	0.4	20	364	u25⅞	25⅜	25⅜	-¼
38	24.60	Aegon	1.20	3.3	21	22	u38½	38	38⅜	+⅛
5⅞	3⅛	Aerfix			8	156	4⅛	4⅝	4¾	
75½	48¾	AetnaL	2.76	3.8	52	2983	72½	71½	71⅞	-¼
44¾	31⅞	Aflac	0.52	1.2	13	641	44	43½	44	+⅜
26⅜	16	Ahmanso	0.88	3.3	16	3496	27¼	26⅝	26¾	-⅞
59½	43⅞	AirPrC	1.04	2.0	19	2518	51⅛	50¾	51⅛	-½
25⅝	18⅞	Airbne Frt	0.30	1.2	22	879	24½	24⅛	24⅛	-⅛

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

هكذا من الأجل

هكذا من الأرشيف

4 pm close October 20

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

NASDAQ NATIONAL MARKET

4 pm close October 20

[illegible]

AMEX COMPOSITE PRICES

4 pm close October 20

[illegible]

FT GUIDE TO THE WEEK

MONDAY 23

Clinton and Yeltsin meet

US President Bill Clinton meets Russia's President Boris Yeltsin at Hyde Park, New York state. Mr Yeltsin is likely to reiterate his opposition to Nato's proposed eastward expansion.

Major and Menem hold talks

John Major, UK prime minister, is to meet President Carlos Menem of Argentina in New York, the first time leaders of the two countries have held formal talks since the 1982 Falklands War.

EU finance ministers

European finance ministers hold talks in Luxembourg, focusing on job creation, stalled efforts to reach a compromise on the introduction of a carbon-energy tax and Finland's progress toward the targets for monetary union.

Euro parliament in session

The European Parliament's second plenary session of the month, taking place in Strasbourg until Friday, will be dominated by a debate on the 1996 budget. Other themes are a report on the passage to the planned single European currency and the labelling of foodstuffs.

US unions to choose leader

The AFL-CIO, which represents most US unions, begins four days of meetings to choose a new president. Lane Kirkland, long-time labour leader, is stepping down and his successor will be expected to reverse declining union membership.

World radio conference

The World Radiocommunication Conference opens in Geneva (to Nov 17). Industry and government representatives from more than 180 countries will consider proposals to allocate more frequencies to satellite mobile phone systems.

Metals week in London

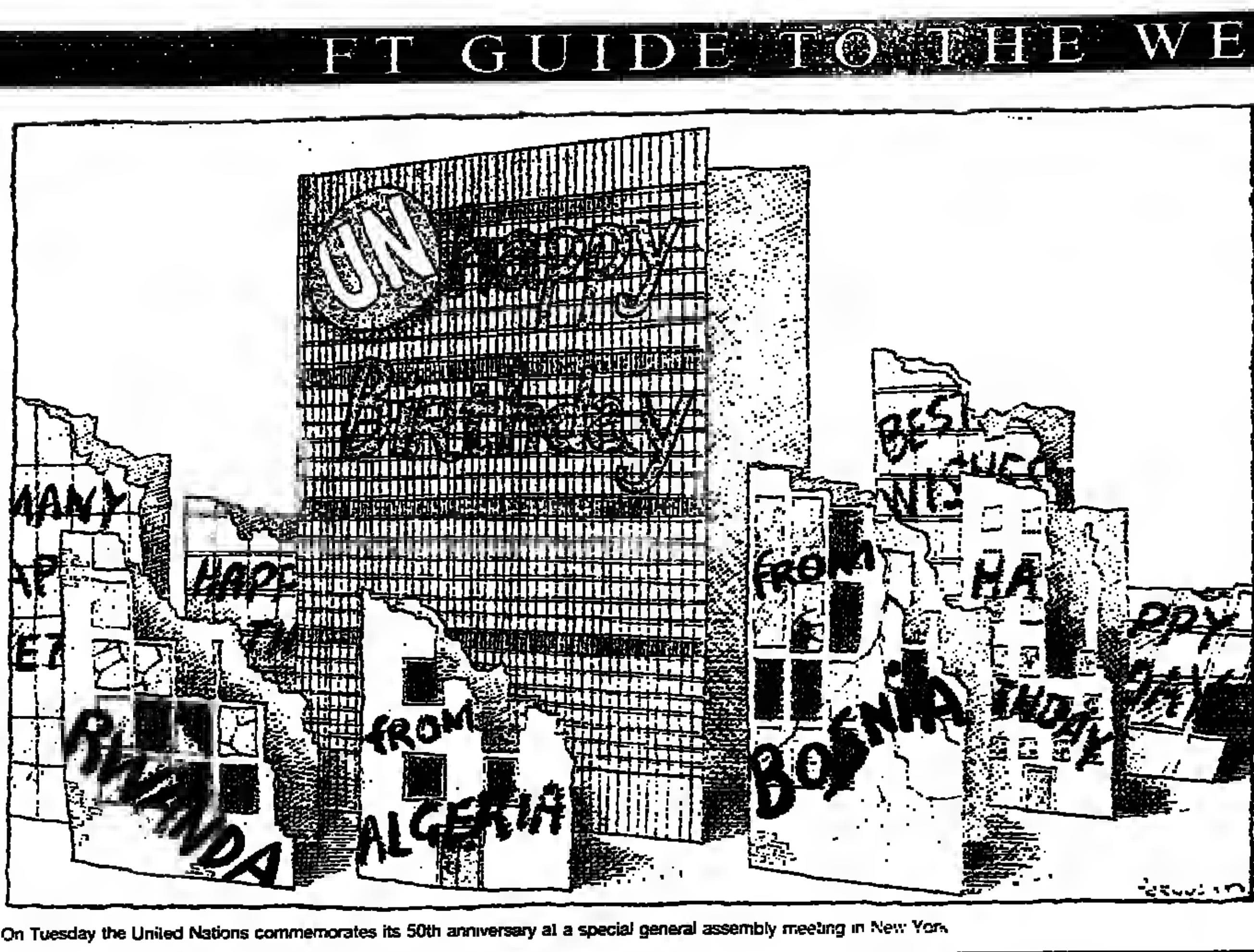
Mining and metal industry executives from all over the world converge on London for "metals week," and to pay tribute to the London Metal Exchange, the world's leading futures market for trading in copper, lead, zinc, primary aluminium, aluminium alloy, nickel and tin. Most world metal industry supply contracts are based on its official prices.

UN trade meeting

The United Nations Conference on Trade and Development begins a week-long session in Geneva to examine preferential trade arrangements for poor countries. General tariff cuts agreed in the Uruguay round of global trade talks will erode the value of trade preferences, which now apply to $80bn-worth of exports each year by developing countries to the industrialised world.

Telkom share offer

Shares in Telkom, the Indonesian domestic telecoms group due to be partially privatised in an international offering expected to raise between US$2.5bn and US$3.1bn, become available to international investors, with the offer period ending on November 10. The domestic share offer starts on Friday and closes on November 2.



On Tuesday the United Nations commemorates its 50th anniversary at a special general assembly meeting in New York

Green meeting in Bulgaria

Environment ministers from more than 50 countries meet in Sofia to discuss ways of cleaning up central and eastern Europe under the "Environment for Europe" initiative. There will be little new money on offer but ministers hope to help in other ways by encouraging former communist countries to adopt policy reforms, change their institutional structures and involve business more directly.

FT Surveys

Germany and North Carolina.

Holidays

Fiji, Hungary, New Zealand, Thailand: India, Malaysia, Sri Lanka and Singapore celebrate Diwali, the Hindu festival of lights.

TUESDAY 24

US-China summit in New York

Presidents Bill Clinton of the US and Jiang Zemin of China meet in New York during the United Nation's 50th anniversary special commemorative meeting.

China had hoped for a full state visit to Washington but in the face of US reluctance settled for the New York venue. Despite this, the meeting is seen as a chance to improve relations between the two nations, which soured after a private visit to the US in June by Taiwan's president.

German economic forecasts

Germany's six economic institutes unveil economic forecasts for 1996 which will include the unemployment rate, the budget deficit and gross domestic product. The forecasts may confirm some signs that the economy is slowing down.

Eclipse of the sun

The sun will darken over much of Asia, as a full solar eclipse cuts a path from Afghanistan to the South Pacific, touching India, Burma, Thailand, Cambodia and Vietnam along the way. It will last from about two to three minutes, depending on location.

FT Surveys

Business Locations in Europe and Luxembourg.

Holidays

Egypt, Zambia.

WEDNESDAY 25

Kohl and Chirac meet

President Jacques Chirac of France visits Bonn to hold informal talks with Chancellor Helmut Kohl over dinner. It will be Chirac's first visit to Germany since becoming France's President. Officials expect that the pace and criteria for monetary union and next year's intergovernmental conference will be high on the agenda.

German tax shortfall

The budget committee of the Bundestag, Germany's parliamentary lower house, convenes for a two-day session. It will question Theo Waigel, the finance minister, about the expected DM11.4bn ($7.7bn) shortfall in federal tax revenues. It looks increasingly unlikely that Mr Waigel will be able to keep within his projected federal budget deficit of DM60bn for the 1996 financial year.

Kuchma tours in S America

Ukraine's President Leonid Kuchma, after attending UN celebrations in New York, begins an eight-day Latin America tour in Brazil, before going on to Argentina and Chile. The three have sizable Ukrainian emigré communities. The Kiev leader will be discussing trade and will also look to learn from their recent reforms how to turn closed and state sector dominated economies to the free market.

FT Surveys

Jordan, Taiwan and FT Guide to Career Choice (UK only).

Holidays

Taiwan.

THURSDAY 26

Trial of sect leader

The Tokyo District Court is to hold the first hearing on Aum Shinri Kyo religious sect leader Shoko Asahara, charged with killings in connection with the Tokyo subway gas attack. A panel headed by Chief Justice Fumihiro Abe will decide the case and sentence.

Housewives of all lands unite

Housewives representing 14 countries will meet in Buenos Aires for a two-day conference aimed at winning recognition for housewifery as a profession. The organisers say the aim is to fight for quality, fair prices and advertising that does not exploit women. One of the Argentine delegates is quoted as saying: "Where would men be if women didn't save all the money?"

FT Surveys

Swiss Banking and UK Consumer Credit (UK only).

Holidays

Austria.

FRIDAY 27

UK rail bid deadline

Final bids for the first three passenger train operating franchises to be sold off as part of the privatisation of British Rail are due in by today. Nine bidders, including management buy-out teams from each of the three companies have been short-listed. The franchises on sale are for South West Trains, Great Western, and London, Tilbury and Southend, accounting for about 20 per cent of the railway by ticket revenues. The government hopes to persuade bidders to sign up for seven-year franchises but several are pressing for longer periods to justify investing in new rolling stock.

Mastering Management

Mastering Management

The FT's UK edition contains the *first issue of* Mastering Management, a 20-part series written by professors and other academics from London Business School, the International Institute for Management Development (IMD) in Switzerland and The Wharton School of the University of Pennsylvania, US.

Loosely based on an MBA curriculum, the "course" includes everything from finance and marketing to ethics and organisational behaviour. Non-UK readers will be invited to subscribe to the series.

Tokyo Motor Show

The Tokyo Motor Show is officially opened (to Nov 8). It will bring together Japan's beleaguered motor manufacturers, striving to meet the impact of recession on domestic sales and the high yen on exports. Foreign brands will be trumpeting big rises in their Japanese sales because of changing consumer tastes and price cuts triggered by the yen's strength.

FT Surveys

Chemicals Industry and London Business Property.

Holidays

Turkmenistan, Zaire.

SATURDAY 28

Rugby League

The World Cup final is played between England and Australia at Wembley stadium, London.

Horse racing

Breeders' Cup Day, one of the premier meetings in the international calendar, is held at Belmont Park, New York.

FT Survey

Schools 1,000, a ranking of the top UK state and private schools (UK and European editions only).

SUNDAY 29

Amman economic summit

More than 1,000 government leaders and businessmen gather in the Jordanian capital to promote Middle East and North African regional co-operation and integration. The gathering is a follow-up to last year's Casablanca summit which, for the first time, brought together Arab and Israeli political and business leaders.

Plans for the establishment of the controversial Middle East and North Africa development bank are expected to be announced at the three-day meeting. Lebanon and Syria, who have yet to sign peace agreements with Israel, are boycotting the meeting.

General election in Tanzania

Tanzanians vote in the first multi-party elections in the country's history. The poll was originally expected to prove a walk-over for the ruling CCM party and its candidate Benjamin Mkapa, who has *former president Julius Nyerere's support*. But it has taken on an entirely different aspect since former minister Augustine Mrema threw his hat into the ring, broadcasting an anti-corruption message that has been drawing massive crowds.

Bike show in Birmingham

The UK's leading motorcycle show opens at the National Exhibition Centre in Birmingham (to Nov 5). It will be opened by Steven Norris, transport minister. This year, the show has more exhibitors and runs longer than ever before. Among the 450 motorcycles on display will be more than 50 new models to be shown for the first time in Britain.

Clocks go back in US/Canada

Daylight saving time ends and standard time returns, as clocks go back one hour in the US and Canada.

Motor racing

The Japanese Grand Prix is run at the Suzuka circuit in Japan.

Compiled by Patrick Stiles.
Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: UK gross domestic product is thought to have grown by 0.5 per cent in the third quarter, although the rise may be smaller if companies ran down inventories. Sweden's trade surplus is predicted to have fallen last month.

Tuesday: The annual rate of inflation in Italian cities is thought to have been relatively stable since last month, while inflation in Mexico should have eased. Recent rapid growth in Swedish industrial production is thought to have ebbed in the year to August.

Wednesday: Sales of existing homes in the US are expected to have tailed off last month, following the rapid increase which has taken place since the spring. French consumer spending is likely to have fallen last month.

Thursday: US durable goods orders are thought to have grown less in September than in the previous month.

Friday: Growth in US gross domestic product is expected to have doubled between the second and third quarters of the year, as the correction in inventories unwinds and residential construction picks up. Japanese prices are thought to have risen fractionally in the year to September.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Sep Treasury budget	$8bn	-$33.9bn
Oct 23	UK	3rd qtr gross domestic product***	0.5%	0.5%
	UK	3rd qtr gross domestic product**	2.3%	2.8%
	Spain	Aug industrial production	5.3%	3.7%
	Sweden	Sep trade balance	SKr9.5bn	SKr4.6bn
	Canada	Aug wholesale trade*†	0.4%	-0.3%
Tues	US	Johnson Redbook w/e Oct 21	-	-1.9%
Oct 24	Japan	Aug coincident indx	40.0%	10.0%
	Japan	Aug leading differential indx	30.0%	20.0%
	Japan	Oct trade balance, 1st 10 days	-	$4.0bn
	Italy	Oct cities consumer price indx*	0.5%	0.3%
	Sweden	Aug industrial production**	11.8%	17.6%
Wed	US	Sep existing home sales	-	4.11m
Oct 25	France	Sep household consumption*†	-0.2%	-0.1%
	Aus'lia	3rd qtr consumer price indx	1.0%	1.3%
	Aus'lia	3rd qtr Treasury underlying CPI	0.9%	1.0%
	Canada	Aug int C$ securities transactions	C$2.5bn	C$5.1bn
Thur	US	Sep durable orders	unch	4.8%
Oct 26	US	Sep durable shipments	-	4.9%
	US	Initial claims w/e Oct 21	355,000	361,000
	US	State benefits w/e Oct 14	-	2.66m
	US	M2 w/e Oct 13	$4.38bn	-$5.4bn
	France	Aug trade balance†	FFr6.0bn	FFr5.3bn
	Sweden	Sep produce price indx**	10.1%	10.4%
	Aus'lia	Sep motor vehicle registrations	1.0%	-5.1%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Fri	US	Oct Michigan sentiment final	-	90.4
Oct 27	US	3rd qtr gross dom prod advance	2.5%	1.3%
	US	3rd qtr GDP deflator advance	2.0%	1.6%
	Japan	Sep consumer price indx (nation)**	0.1%	-0.2%
	Japan	Sep retail sales**	-1.1%	-1.3%
	Japan	Sep industrial production†	-2.2%	2.5%
	Japan	Sep shipments†	-	3.4%
	Canada	Sep indust production price indx*	0.1%	0.0%
	Canada	Sep raw materials price indx	-1.0%	-0.3%
During the week...				
	Japan	Sep supermarket sales**	-	-1.4%
	Japan	Sep department store sales**	-	-0.8%
	Germany	Sep producer price indx, West*	0.1%	0.1%
	Germany	Sep producer price indx, West**	2.0%	1.8%
	Germany	Sep prod price indx, pan-Germany*	0.2%	0.0%
	Germany	Sep prod price indx, pan-Germany**	2.0%	1.8%
	Germany	Oct prelim cost of living, West*	0.0%	-0.1%
	Germany	Oct prelim cost of living, West**	1.7%	1.6%
	Germany	Sep Icon consumer climate	-	89.0
	Germany	Sep import prices*	0.2%	0.6%
	Germany	Sep import prices**	0.6%	0.5%
	Italy	Sep balance of payments	L0.8Tr	-L1.8Tr
	Italy	Aug trade balance of payments	-	L2.9Tr
	Italy	Sep M2 3-month average	0.0%	-0.2%

*month on month, **year on year, ***qtr on qtr, †seas adj *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

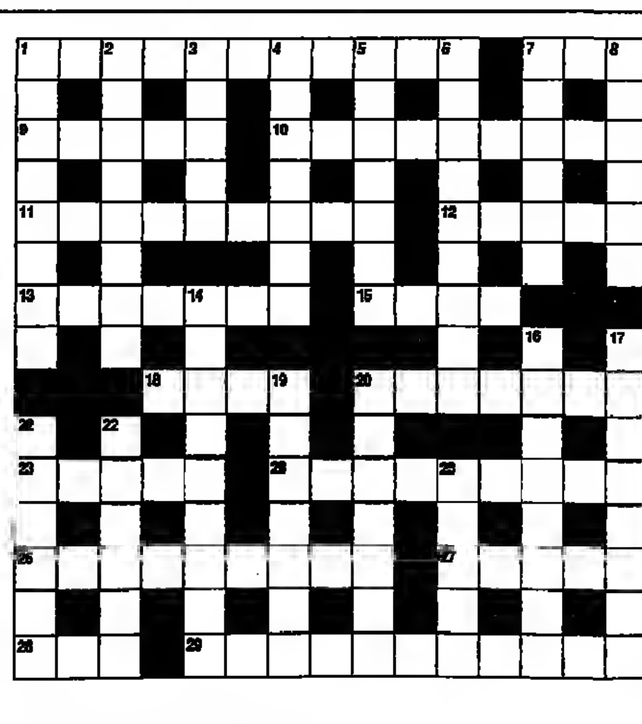
No.8,899 Set by ADAMANT

ACROSS

1 Worthless financial policy (11)
7 Small house in Scotland (3)
9 Repaired for only a penny in days past (5)
10 Always runs to the front and points to church with respect (9)
11 It reflects on you and me if, caught off course, the French grasp victory (9)
12 Over eager to find common ground (5)
13 Being impartial has unreal outcome – and about time! (7)
15 Take off and go downhill with the leader (4)
18 Guaranteed not to run quickly (4)
20 Enters in disarray after parking here (7)
23 About the old ship load (5)
24 Ambassador got into debt and was demoted (9)
26 I'm fearing the development of the telescope (9)
27 Shoot back – I'm returning to the city (5)
28 Fashionable name for a watering hole (3)
29 Glance around merry mix-up and draw up lines for the party's success (11)

DOWN

1 Pay no attention to girl's reckoning (8)
2 At the Oval our side initially played with courage (8)
3 Left, for example, to do up the house (5)
4 Hard hearted competitor coming (7)
5 Buys shares in society supported by specialist doctors (7)
6 Opera lies in disarray – bring it up to usual standard (9)
7 The heart of recent troubles (6)
8 Melodies from "The Messiah" (6)
14 Working out how to check a youngster is inside at midnight (9)
16 You and I are on the way but draw back from a certain direction (8)
17 Dior gets wilder and harder to stomach (8)
19 Part time soldier might make a mistake in rank (7)
20 Mount a production for fellow player (7)
21 Food is brought up when affected inside (6)
22 A monster could be a bore! (6)
25 First girl confesses to motherhood in the third grade (5)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday November 2, marked Monday Crossword 8,899 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday November 6. Please allow 28 days for delivery of prizes.

Name..

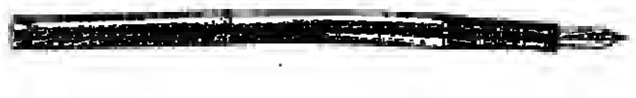
Address...

....

Winners 8,887

H.A. Molins, London SW1
R. Green, Overijse, Belgium
C. O'Donoghue, Road, Dundee
Mrs A.G. Olsen, Great Brington, Northampton
Miss M. Thompson, Lisburn, Co Antrim
J. Williamson, Marlow Bottom, Bucks

Solution 8,887



هكذا من الأصل

GERMANY

Giant cloaked in uncertainty

Peter Norman reviews the five years since the fall of communism and asks where reunited Germany is heading

Earlier this month, Germany celabrated five years as a reunified nation.

It was a muted occasion as befits a country which eschews grand gestures and which earlier this year was remembering the 50th anniversary of those even more momentous events that resulted in Germany's division: allied victory and the end of the Nazi tyranny that had plunged Europe into the catastrophe of the second world war.

There were, however, other reasons for sober reflection on the union between the prosperous and stable west and the politically and economically bankrupt former communist east.

Five years on, Germany is unified but it is still some way from being one country. The takeover of the east by the west – for that was the nature of the union – is only half way to producing a self sustaining economy in the new Länder. Although Europe's economic giant, Germany still has difficulty defining its role in the world. At home, despite growth, there are looming economic and social problems that require the political system to deliver that which generally seems in shortest supply, namely decisive action.

The foregoing paragraph may seem an unnecessarily harsh judgment about a country in which wages are high, holidays long, cars big and fast, and in which most of the population enjoys all the trappings of affluence. It does not sound much like the Germany which has been able to spend DM475bn of public funds on reconstruction in the east without letting inflation rip or allowing the D-Mark to lose its strength. Such a bleak view, moreover, gives little credit to Germany's obvious political stability despite the strains of bringing together peoplea divided for 45 years. That stability is personified in the massive figure of chancellor Helmut Kohl: the man who always had faith that the country would again be united and who in the course of next year will become the longest serving chancellor of the Bonn republic, the most successful German state in history.

But it is difficult to escape the feeling that Germany is at a cross roads. Far reaching changes are in store.

The capital is scheduled to move to Berlin sometime between 1998 and 2000. In spite of Germany's federal constitution, this event could point Germany eastwards, profoundly altering the way the nation thinks about itself and its role in the world.

A countervailing force, European economic and monetary union, is scheduled to begin about the same time, marking an important step towards fulfiling chancellor Kohl's ambition of embedding Germany's future welfare in that of the European Union.

Then there are the challenges of globalisation. For the past two years, the government has been debating how to secure Germany's future as an industrial base in the face of low cost, high quality competition from the newly industrialising countries of eastern Europe and east Asia.

Recent unemployment figures have been an uncomfortable reminder of the need for change. Although German GDP grew by 2.6 per cent in the first half of this year, unemployment in September, at about 3.5m, was higher than it was the year before.

There is widespread agreement over what is wrong. German industry, thanks to a reputation for quality and a concentration of expertise in the investment goods sector, has been able to maintain its presence in export markets in spite of a strong D-Mark. It has acquiesced in high wage settlements in the interest of keeping production going.

But these achievements have been at a cost. Since the end of 1991, industry has shed 1.13m workers, a loss of nearly 10 per cent. Even members of the *Mittelstand*, the small to medium sized companies that are Germany's particular strength, are investing abroad to average out costs.

An obvious remedy would be to attack rigidities and inefficiencies in the economy as a whole and encourage growth of the relatively underdeveloped service sector. But advocates of deregulation have a hard furrow to hoe. The counterpart to Germany's enviable consensus in politics and industrial relations is the fierce defence of vested interests.

Any proposal, no matter how mild, to curb non wage labour costs or pruna some of tha more luxuriant growths of the German welfare state is likely to generate howls of protest from Germany's powerful trade unions and their political allies in the Christian as well as the Social Democratic parties.

Germany is a country where the consumer bas little clout and deregulation has few friends. In the summer, it appeared that the government might be in earnest in trying to extend Germany's antiquated shopping hours. Certainly Mr Günter Rexrodt, the Free Democrat economics minister, invested substantial political capital in the cause, arguing that reform would create 55,000 jobs. Two and half months on, there is scant sign of progress, partly because of indifference on the part of Mr Norbert Blüm, the labour minister who is responsible for shopping hours, and partly because of opposition from trades unions and some shop keepers.

The shopping hours issue illustrates the inadequacies of political decision making in Germany. The government in Bonn is made up of three parties, Christian Democrat, Christian Social and Free Democrat. The upper house of parliament is dominated by states in which Social Democrats have the upper hand. In the 16 federal states are coalitions of various hues. Difficult decisions are endlessly shuffled back and forth between parties, legislatures and conciliation committees.

In recent weeks, attention in Bonn has been focused on disarray in the opposition Social Democratic party. But the centre-right coalition parties can be equally quarrelsome. This month, for example, experts of the CDU/CSU and FDP gathered for a four day conference outside Bonn to crack the problem of restraining galloping health care costs only for the meeting to break up acrimoniously after a few hours.

Fortunately, there are ways through such knots. Like many difficult issues, the shopping hours question has been declared a *Chefsache*, something that will have to be sorted out by chancellor Kohl. However, he will only knock beada together when he believes he has a chance of success and when action fits his political agenda.

The takeover of eastern Germany may also prove to be an engine of change. Unemployment in the east affects 14 per cent of the labour force against 8 per cent in the west largely because western trada unions were determined to impose western-style wages and labour market conditions in tha low productivity environment of the new Länder. Now, however, eastern German employers are increasingly making local agreements with unions which allow greater labour market flexibility.

The constitutional court in Karlsruhe is providing other ways forward. The court grabbed the headlines and angered coalition politicians this summer with a controversial ruling against crucifixes in Bavarian class rooms. But recent rulings have also forced the government into raising tax thresholds for the low paid and to reviewing Germany's inheritance and wealth taxes. It was a court decision that paved the way for the Bundestag this summer to approve deployment of Luftwaffe Tornado aircraft over Bosnia.

The agonising that accompanied that decision was a sign that Germany still has some way to go before it can play a role in world affairs commensurate with its economic strength. Although Mr Kohl struts the world stage like a trouper, the uncertainties surrounding Germany's foreign policy role are shown in the acres of newsprint devoted to worried appraisals of Germany's relations with its allies and neighbours.

However, recent events show that, in spite of hesitation in domestic as well as foreign affairs, Germany is capable of change. The big question is whether change will be quick or extensive enough to maintain the country's position in an increasingly tough world.

Berlin's Gedächtniskirche (left) and (above) the Reichstag building temporarily wrapped in silver fabric this summer by artist Christo

IN THIS SURVEY

■ FORWARD FROM MAASTRICHT: by Peter Norman

Doubts creep in

Domestic political strains may slow the advance towards deeper EU integration

For the German government, next year's planned Inter-Governmental Conference to develop European integration is at once full of promise and threat.

The hope is that the conference will be able to advance integration in areas neglected in the Maastricht Treaty and close to the heart of Germany's chancellor, Mr Helmut Kohl. The threat lies in domestic politics, for Germany will hold a general election in 1998, as the conference will be bearing fruit and a series of other European Union issues could be dominating the headlines with unpredictable effects.

Preparations for the third and final stage of European economic and monetary union, with its inevitable consequence of a programmed demise of the D-Mark, should be moving into top gear in 1998. Disquiet among German voters about the single currency has already prompted Bonn to insist on a rigorous compliance with the Maastricht convergence criteria and to propose additional agreements to limit fiscal deficits among prospective Emu entrants.

Mr Theo Waigel, the finance minister, has also mounted a noisy campaign against the name Ecu for the proposed single currency, proposing instead the "Euro" as in Euro-Mark or Euro-pound to win over a sceptical public.

Other controversial European Union issues such as enlarging the EU from the present total of 15 members and reform of the common agricultural policy should be on the agenda in 1998. A potentially acrimonious debate over fairer shares in paying for the EU budget could see Germany trying to persuade unsympathetic partners that it is contributing too much, with the attendant risk of reducing already lacklustre support for the EU among German voters.

It is little wonder, therefore, that the German government is proceeding slowly in developing its aims and strategy for the IGC. An additional problem is the unpredictability of France, Germany's closest EU partner, under Mr Jacques Chirac. His mercurial presidency has yet to do lasting damage to Franco-German relations. But it has upset many assumptions on the German side that were based on the expectation of joint Franco-German action to give European integration a push.

Bonn has said it will decide its formal goals for the IGC after the "reflection group" of member states' senior foreign ministry officials has reported on prospects for the conference at the end of this year.

But it is clear from the thoughts of government officials, and especially those of Mr Werner Hoyer, the foreign office minister of state who is also Bonn's representative in the reflection group, that Germany would like significant progress towards greater European integration from the conference.

The IGC will be charged with looking at possibilities for "deepening" EU integration in four main areas: foreign and security policy; interior and judicial affairs; reform of the EU institutions; and making the union more democratic and meaningful for its citizenry.

In all these areas, Bonn can be expected to make proposals of a strongly "federal" character. But the German approach to the IGC will not be simply one of Euro-idealism. The government also wants a more equitable sharing of responsibilities among EU members to ease what it sees as unfair burdens on Germany.

Germany believes that a joint EU foreign and security policy is needed to maintain peace and security in Europe. The war in the former Yugoslavia has shown the need to come faster to joint decisions and action.

Mr Hoyer, and the small Free Democrat party to which he belongs, favour qualified majority voting in this area to avoid lowest common denominator decisions or the blocking of EU action by a single member state. However, in cases where an EU member feels a vital security interest is involved, there should be scope for "constructive abstention". A member state would not be able to hinder an agreed EU policy but it would be able to abstain from its implementation. For example, it would be inconceivable, under current German thinking, for a EU member state's troops to be used in joint action against its consent.

Germany favours building up the Western European Union to become the defence policy arm of the EU. One suggestion is that a single leading personality should be appointed as political secretary general of the EU's council of ministers and secretary general of the WEU.

Greater integration of internal and judicial affairs is necessary and would be popular, Germany believes. No member state can cope on its own with the growth of international organised crime. Issues such as immigration and asylum seekers require an EU solution. One idea advanced by Mr Hoyer would be to give the EU commission a right to initiate policies in the area of interior policies. However, this would not be to the exclusion of the rights of member states.

That Germany wants to push ahead on this issue is understandable. The country has absorbed far more asylum seekers and refugees from areas of conflict such as Bosnia than other EU states. It wants a fairer sharing of the burden.

The drive for institutional reform comes from the recognition that European institutions conceived for the original community of six countries cannot cope with a Union that could expand to 25 or 30 members. With its strong federal tradition, Germany is likely to push for more majority voting and a reduction of national control over EU decision making.

The Free Democrats have gone as far as to demand a European constitution with a bill of basic rights. Mr Hoyer, however, does not expect the IGC to agree such a sweeping development. Less dramatic suggestions, under consideration in the Bonn foreign office, include pooling the resources of small countries to create team presidencies of the EU.

Continued on facing page

■ EUROPEAN MONETARY UNION: by Wolfgang Münchau

The mark of nationalism

Financiers favour a single EU currency but most Germans want to keep their beloved D-Mark

In Germany, antagonism towards European monetary union has been growing steadily over the last few years, with about two-thirds of German opposed to the single currency, according to opinion polls.

The one sector society which appears virtually unanimous in its support for the single currency is German industry. Having suffered from a long-term appreciation of the D-Mark especially against the lira, the pound and the peseta, many German industrialists are hoping that European monetary union (Emu) would act as a protective wall against appreciation.

The conundrum is that the most likely Emu scenario – that of a core group of countries, including Germany, France, Benelux and Austria pressing ahead in 1999 – will lead to a currency union of countries that already enjoy stable parities against the mark.

If Italy were ever to qualify under the Maastricht Treaty's economic convergence criteria, then the lira, too, would probably by then have become a hard currency. As a result, whatever advantages Emu may bring, it will not be a protection against devaluation. It may still act as an inducement for trade and investment, which would constitute probably the strongest economic argument in favour of the single currency.

The notion of a hard-Emu core around Germany has met with a degree of alarm in German industry. Mr Hans-Olaf Henkel, president of the German federation of industry, said that "one should be careful with such expressions as a 'core Europe' or a 'Europe of different speeds'. There may be some areas in inter-governmental relations where this may be harmless or even inevitable. But for the economic community this is not suitable. The legal unity must not be undermined," he said.

A question of harmony: finance minister Theo Waigel conducts the Aachen customs brass band

At the same time, Mr Henkel is among the many vociferous proponents of the tough line taken by the German government and Bundesbank about the strict adherence to the Maastricht Treaty's economic convergence criteria. He advocates "even stricter debt criteria", adding that the "rules of the Maastricht Treaty are far too soft".

In the debate over Emu, German industry is torn between its pure self-interests – free trade; coherence of the present EU; low taxation – and its traditional support for sound money, whether D-Mark or E-Mark.

As a group, German industry may speak through its representatives in Bonn, but the superficial unanimity in support of an ultra-hard single currency may not last forever. It may not even exist now.

Difference have already surfaced among banks. Small savings banks, with little or no cross-border business, are dreading the logistical complexities of a change-over of their systems, and the associated costs. They are particularly afraid that savers, frightened by losing out on the German government bonds, may switch their savings abroad or simply save less and spend more. Large banks, by contrast, regard Emu as an opportunity to expand their business and to establish themselves as pan-European powers.

The same dichotomy applies to industry, though this may be less obvious. German multinationals, such as Volkswagen or Siemens, with their large business volumes throughout the EU, already operate as European companies.

These companies are building up European works councils, they employ multilingual staff, and aspire to a European corporate culture. The transition to a single currency will facilitate inter-company accounting in the long run, and will greatly relieve the need to engage in sometimes costly hedging operations. There can be no question that the single currency is in the interest of Siemens, Volkswagen and Daimler-Benz.

Small companies whose activities do not cross borders, will enjoy few of these benefits. Yet they will be exposed to many of the risks. A detailed study on this issue was presented by Roland Berger, the management consultancy, which found that the retail trade, *smalls banks, telecommunication* operators and the postal and rail services are "potential losers".

Among the potential winners are printers, paper manufacturers and a wide array of service companies. The study also stressed that the change-over would necessitate a significant amount of logistical changes that are not yet appreciated by German industry in their entirety.

If the convergence criteria are not observed to the letter for the sake of a more broadly-based membership, the future Ecu-value of German assets may fall; interest rates may be higher than they might otherwise have been; and share values may be lower.

The controversy caused by Mr Theo Waigel, the German finance minister, who in a private hearing in the German parliament said that Italy and Belgium may not qualify for the third stage in 1999, has rekindled a new debate inside Germany about the pros and cons of the single currency.

The single currency has become one of the most hotly-debated issues among bankers, academics, in the media and in big industry. However, despite the growing media attention, most ordinary Germans, and most ordinary German companies, still see the single currency as a far off event.

Small industry is probably subject to the same contradiction of attitudes that is so typical of the wider German public.

A recent opinion poll about the public's attitudes towards Europe found that the German public has become increasingly more hostile to the single currency since 1991, with about two-thirds opposed.

At the same time, a great majority of Germans say they support the Maastricht Treaty, whose most important component is, of course, the irrevocable timetable towards the single currency. The only, and somewhat uncharitable, conclusion one could draw from the poll is that Germans do not know what they want.

The reason behind the widespread apathy and confusion is Germany's current preoccupation with other more pressing matters.

Industry is undergoing profound changes, the result of unification, the drift of investment into eastern Europe, cost pressures from cheaper production locations in the US, Europe and the Far East, the revaluation of the D-Mark against the dollar, and profound changes in industrial relations, marked by a trend towards shorter and more flexible working hours.

These factors will probably have a significantly greater impact on the well-being of industry, and the country at large, than the single currency. But this is true only as long as the currency fulfils two essential conditions: it has to be stable and must not endanger the coherence of the EU.

While German industry lobbyists purport to pursue both aims at the same time, the question arises what will happen if the two goals of a single currency and intra-EU coherence are perceived to be in conflict.

هكذا من الأصل

■ ECONOMIC OUTLOOK: by Peter Norman

Over the big hump

On course for steady growth, the economy seems to have adjusted to reunification

Chancellor Kohl with France's President Jacques Chirac: on course again

After a fit of the jitters around mid-year, it now appears as if the German economy is on course for steady if unspectacular growth this year and next.

Gross domestic product in the first six months of 1995 grew in real terms by 2.6 per cent compared with the same period a year ago, with output in the eastern Länder advancing by a healthy 7 per cent against growth of 2.1 per cent in the west. Inflation, as measured by a new pan-German cost of living index, has fallen to annual rates of below 2 per cent.

Exports, still the touchstone of Germany's aconomic success, have continued to grow, in spite of the sharp upwards move in the D-Mark's international value earlier this year. Since the D-Mark has lost some of its earlier gains, some experts, such as the economists of Hamburg's HWWA research institute, have forecast that exports might grow by about 4 per cent in real terms this year and so faster than the economy as a whole.

Even the cautious Bundesbank, which recently warned that "considerable risks" in the export sector could act as a dampaner on the economy, does not expect Germany to cease growing.

On the other hand, growth in 1995 will fail to meet the forecast of 3 per cent published by the Bonn government early this year. The expected shortfall, together with lower than expected inflation, has forced Mr Theo Waigel, the finance minister, to reduce his expectations of tax revenues by DM20bn this year and next. That spells more belt tightening at federal, state and municipal level.

The news of slower growth is also bad news for Germany's 3.52m unemployed. Since July, when pan-German unemployment jumped by an unexpectedly sharp 133,700, it has become apparent that Germany is facing a jobs crisis. While the July increase largely reflected seasonal factors, a jump of 74,000 in seasonally adjusted nnemployment in August and September combined suggests unemployment is a structural problem.

Unemployment affected 9.2 per cent of the working population in September; in that month the number lacking jobs was higher than in the corresponding month of 1994 for the first time this year. At mid-year, Germany's 34.9m strong working population was some 30,000 lower than in June 1994 in spite of economic growth in the meantime.

It is the Bundesbank's view that the shnrp rise of the D-Mark in the spring and relatively high wage settlements this year have deterred employers from hiring labour. According to the Paris-based Organisation for Economic Co-operation and Development, the spring settlement in the metal working industry could lead to an increase in hourly wages of about 4.5 per cent this year and 5.5 per cent in 1996.

Certainly, reports from companies suggest that employers are responding to high costs, including the highest labour costs in the world, by shifting investment abroad. Although some sectors, such as tha chemical industry, appear to be thriving, others are faring less well. The aerospace industry is in a deep structural crisis and faces heavy job losses. The motor industry has been reporting slower growth rates. The building industry is facing its first serious downturn in nine years, following a 12 per cent drop in orders in the first half. There are fears that a wave of bankruptcies could be about to hit eastern Germany as construction-led investment growth slows.

In the circumstances, it has been a boon that minimal money supply growth and low inflation have allowed the Bundesbank to cut interest rates with a boldness that has surprised many analysts. It acted decisively in August when it cut the psychologically important discount and lombard rates by a half percentage point to 3.5 and 5.5 per cent respectively. The reductions were followed by a steady downwards drift in the securities repurchase or repo rate, which acts as the bench mark for money market rates.

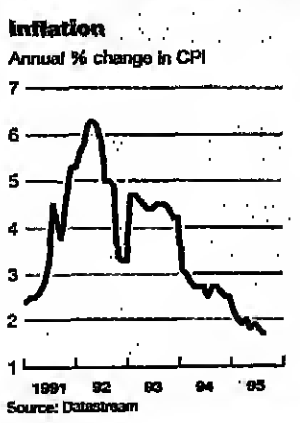
The loterest rate cuts, together with tax reductions scheduled for next year, should give a boost to the domestic economy and sustain growth. The Bundesbank has written, not without some concern, of an anticipated "pause" in the process of consolidating public sector budgets next year. Germany still expects to undercut the Maastricht convergence limits of 3 per cent of GDP for the budget deficit and 60 per cent for the stock of public debt. But the federal deficit is due to increase to DM60bn in 1996 from DM49.5bn this year before resuming a downwards path to DM29bn in 1999.

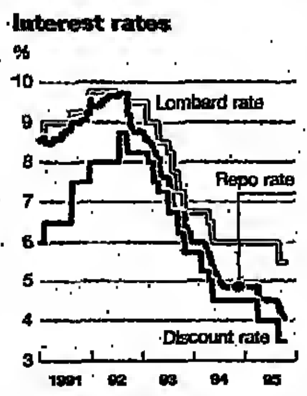
The Bonn finance ministry has bad little choica in the matter. It was a constitutional court ruling that obliged the government to increase sharply the tax-free thresholds in the personal incoma tax system with effect from next year. As a result of this and other tax changes, the tax burden of Germany's citizens will be cut by an estimated DM19bn in 1996.

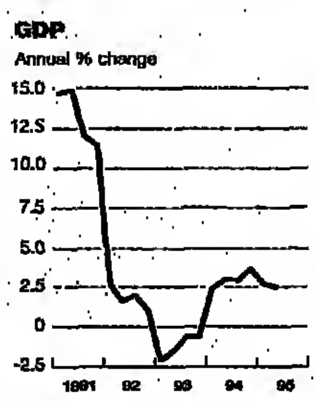
It is true that other levies, such as payments towards the state pension scheme, are due to rise. But in general, government policy is now tilted towards cutting taxes as well as reducing the share of state spending in GDP to around 46 per cent by the end of the decade from more than 50 per cent at present.

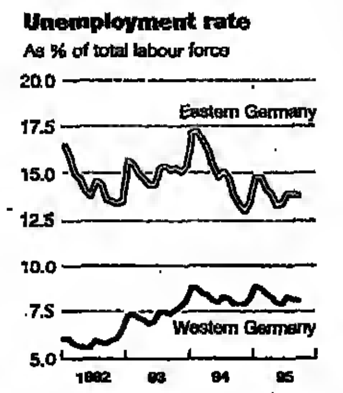
Mr Waigel has his sights set on a reduction of business taxation, including abolition of the local trading capital tax, which imposes a levy on the capital of a company irrespective of whether it is profitable. The government hopes to begin removing the special 7.5 per cent "solidarity surcharge" on personal income taxes, which has been used to support eastern Germany, from 1998 at the latest. Germany's inheritance and wealth taxes are also due for review following a recent constitutional court judgment. In the long term, Mr Waigel would like to see top rates of below 50 per cent on most taxes.

Changing taxes in Germany is fraught with political and technical difficulty. But a reduced tax hurden is the sort of tonic that the German economy needs. For although Germany has come through the five years since reunification with a strong currency and low inflation, its high taxes and social levies have sapped its growth potential. Even with strong support for consumer demand from this year's wage increases and next year's tax cuts, the economy will do well to maintain this year's rate of expansion and grow by around 2.5 per cent in 1996.









■ SHOPPING HOURS REFORM: by Andrew Fisher

Putting the customer first

The debate over shopping hours is a test of Germany's responsiveness to market forces

Shoppers on Berlin's Kurfürstendamm: a desire for fewer restrictions

To their opponents, they are out-of-date and anti-consumer. To their supporters, they help protect jobs and small businesses.

Germany's regulated shopping hours are under discussion again, and this time there seems a strong chance that they will be relaxed. Many economists see the issue as a touchstone of Germany's willingness to become more attuned to market needs.

Despite its high quality goods and sophisticated infrastructure, Germany is not noted for its service culture. Yet in other western economies, the service sector is among the most dynamic sources of growth and jobs.

Shopping times in Germany are kept within strict legal bounds, but pressure for longer hours is mounting. Mrs Ingrid Berberich, a lecturer in German, is one who would definitely welcome a relaxation of shopping curbs. "I want to be able to shop longer," she said while browsing through a Frankfurt department store. "It would be nice if shops stayed open looger, like in the US."

She is doing so in the hope that the momeotum generated by a recent study, commissioned by the government from the Ifo economic research institute, finally leads to a change in the *Ladenschlussgesetz* (shop closing hours law). The report has stimulated a debate which could allow shops to stay open longer on weekdays and Saturdays, though Sunday remains taboo.

The issue raises strong feelings oo both sides. While more shoppers like Mrs Berherich want longer hours, some see no need or are opposed. "It doesn't concern me," said a bank official shopping in the same store. "I can shop when I want. I don't need longer hours. There's already enough time available."

Since 1956, shops and stores have had to close at 6.30pm on weekdays – though allowed to stay open until 8.30pm on Thursdays since 1989 – and 2pm on most Saturdays. On the first Saturday of each month, they may stay open until 4pm. The so-called "long Saturday" used to be longer, hut was shortened from 6pm when the late Thursday concession was introduced.

Shopping hours is not an issue for which many politicians are willing to stick their necks out. Mr Günter Rexrodt, economics minister, pushed for more liberal hours last year but the plan was dropped for fear it might alienate voters – especially among small shopkeepers – ahead of October's general election. This time, Mr Rexrodt is being more careful, holding talks with Mr Norbert Blüm, labour minister, who is circumspect oo the issue, and the retail industry.

Opinions are divided in the industry and among politicians. Ultimately, much will depend on whether chancellor Helmut Kohl takes up the issue. He intends to be involved in any decisioo and has told the main retail association (HDE) that he will study "if and whether any consequences" oeed to be drawn from the Ifo report.

> Big stores want a relaxation, but there would be losers in suburban areas

This comment, made before Ifo's conclusions were known, was interpreted by the HDE as supporting its firm anti-liberalisation stance. The retail, banking and insurance union (HBV) also strongly opposes longer hours. So do many small and medium-sized shopowners who fear the weight of competition and higher costs.

But Ifo has delivered strong ammunition to those urging change. It proposes that shops and stores be allowed to stay open until 10pm on weekdays and until 6pm on Saturdays. Certain types of shop should also be permitted to stay open at night. It also recommends scrapping the 68.5 hour weekly total limit on shopping hours.

Ifo calls the present law a curb on consumers' freedom. Although peopla have come to terms with the hours – about a third of consumers say they would like them extended – Ifo said most would benefit.

There would also be advantages for employers and those seeking work. Most retailers say they do not want the law altered, but new sales opportunities could open up for department stores in innar-city areas, innovative family-owned and other shops in niche markets, do-it-yourself chains, and outlets selling long-life goods such as furniture, cars, electrical appliances and clothing.

Ifo reckons that relaxing the law could add 2-3 per cent, or some DM20bn, to retail turnover over two to three years. This would mean 50,000 more jobs, many part-time; the equivalent in terms of full-time jobs would be up to 32,000 (1.3 per cent of those now employed in the retail sector). Ifo says enough people would be prepared to work late if the jobs were there.

Having looked at countries which have liberalised shopping hours – Germany is almost unique in Europe in not having done so – Ifo finds a wide variation in opeoing times. In Sweden, for example, weekly shop hours range from 55 to 74 hours, and in France from 40 to 66, depending on the type of outlet and neighbourhood.

It is this very scope for meeting differeot consumer needs in different areas at different times that lies behind the arguments of the reformers. Ifo notes that hypermarkets or other big cash-and-carry stores in out-of-town sites tend to stay open later in France. In the UK, the Netherlands and Denmark, convenieoce stores and evening- or night-shops have sprung up.

In Germany, longer hours would benefit businesses in urban centres and shopping complexes, says Mr Joachim Bernsdorff, retail aoalyst at Bank Julius Bär Deutschland. Also, he adds: "This is a big chance for the small mom-and-pop stores which can then convert themselves to cooveoience stores with a strictly limited product line, such as Seven Eleven in the United States, or with a selection such as is now offered by many fuel service stations."

But there would be losers, too, mostly in smaller towns and suburbs. Opponents of relaxation have a large voice through the unions – who would insist on much more pay for longer hours, as is the case on Thursdays – many retailers and a number of politicians of all parties. But the front is crumbling, and Ifo has helped weaken it.

Mr Bernsdorff is convinced the law will be modified, with weekday hours to around 8pm rather than the 10pm favoured by Ifo. Big department stores such as Karstadt and Kaufhof now want a relaxation of hours. Since consumers are increasingly keen to shop when it suits them, the government will have to decide whether to move in the direction pointed out by Ifo, and if so how far.

EU hesitations

Continued from facing page

The obvious dislike of the average German for plans to replace the D-Mark with a singla European currency has coma as a profound and salutary shock for the policy making elite in Bonn. Plans to make the EU more comprehensible and relevant to Germany's 80m citizens are therefore high on the government's agenda for the IGC.

Subsidiarity, the idea that decisions should be taken by bodies as close to the citizen as possible, is inherent in the German constitution. The principle will underpin German pressure for democracy and decentralisation in tha EU.

Germany's current thoughts about the IGC may look modest given its long standing support for the idea of political union in the EU. But Mr Hoyer is anxious not to overload the confereoce, still less to put things on the agenda, which the government considers settled, such as the Maastricht treaty plan for moving to Emu.

As matters stand, the government is aware that careful "agenda managemeot" will be needed to preveot progress being derailed by rows over such issues as the European budget and the reform of the CAP. Moreover, if the German government is to fulfil Mr Kohl's ambition of embedding Germany in Europe to guarantee the nation's future security and prosperity, it is going to have to launch a major effort to win its citizenry for the idea.

Upbeat publicity to boost Emu and the EU is in preparation. As Mr Hoyer says: "It is impossible to sell Europe with a downturned mouth."

■ THE FINANCIAL MARKETS: by Andrew Fisher

A prolonged adolescence

The first insider trading case and big public offerings are testing the markets

Life has not been dull in Germany's financial markets this year. The country has had its first insider trading case, a new and long over-due takeover code has been drawn up, plans have been laid for electronic securities trading, leading bourses are discussing merger plans and an impressive series of new share issues has been launched.

In part, these developments reflect earlier legal and structural changes aimed at bringing Germany's markets more in line with those abroad and with its economic strength. It is a process that still has some way to go, however. By the standards of large global markets like those in New York, Tokyo and London, Finanzplatz Deutschland (Germany as a financial centre) still has to reach full maturity.

Despite the string of initial public offerings (IPOs) this year, the number of quoted companies in Germany remains low by international standards. So does stock market capitalisation in relation to the size of the economy. Nor do one insider trading case and a welcome, though rather mild, takeover code mean that the German securities market – centred in Frankfurt – has finally shed its deficiencies.

But the trend is encouraging. As well as the efforts of legislators and administrators, it is market pressures that have prompted the change. As this year's flow of sizeable IPOs shows, German companies are increasingly keen to broaden their shareholder base and subject themselves to the disciplines of the equity market.

Raising funds from domestic and foreign investors can be cheaper than borrowing from a bank. Companies willing to follow this route are also aware that their profile is lifted by a stock market listing, with consequent benefits for their international activities. Today's managers, whether from companies' founding families or from outside, have far more exposure to international financing and business methods than their post-war predecessors.

This year's new issues have included companies in pharmaceuticals (Schwarz Pharma), flooring (Tarkett), do-it-yourself (Praktiker), specialty chemicals (SKW Trostberg) and graphite and carbon (SGL Carbon). As well as domestic investors, foreign investors in Europe and the US have also been targeted.

The biggest IPO this year is that of E. Merck, the pharmaceuticals concern. At around DM2bn, a record for Germany, it dwarfs the others easily. Also on the way is an issue of shares from Adidas, the internationally known German sports shoe and clothing company that fell on hard times and has now bounced back. Compared with last year's fairly thin IPO calendar, therefore, 1995 is proving a lively year for new equity issues.

But 1996 will be the real test for Finanzplatz Deutschland. It is then that the country's biggest ever new issue will take place – that of Deutsche Telekom, the state telecommunications concern, which will raise some DM15bn. Selling such a huge issue at home and abroad will stretch the resources and skills of the German and foreign banks in the issuing consortium to the utmost.

With the Telekom sale looming, other companies have been keen to have their IPOs out the way first. "The decks are being cleared for Deutsche Telekom," says Mr Kevan Watts, head of European investment banking at Merrill Lynch, the US securities house. Thus it is unlikely that next year will see such a flow of other IPOs as 1995, although "the unexpected can always happen".

The Telekom issue will do much to raise equity awareness in Germany, where investment in shares is tiny compared with that in bonds and other fixed interest instruments. Institutions such as insurance companies also remain somewhat inhibited when it comes to equity investment, even though restrictions on the amounts they can put into shares – both in Germany and abroad – have been eased.

German markets would open up considerably if the national pension system had more scope for private provision. Instead, it is based mainly on the pay-as-you-go system in which employees' contributions pay for current retirees' pensions and are not invested in funded schemes for the future. But as the PAYG system comes under financial pressure, individuals are likely to be more alert to the need to save as a way of enhancing their own future pensions.

Both German and foreign banks see opportunities for more portfolio management business in this area, since pension funds rely heavily on equities to help provide a solid average return over decades. "We see an increasing trend [in Europe] to the UK and US model of professionally managed pension schemes," Mr Watts says. "The impact on businesses like ours could be very fundamental and exciting."

Without a well-developed pension fund sector, the German stock market will be handicapped in its efforts to become as heavyweight internationally as the country's economy. German companies have large pension reserves, with which they supplement retiring employees' state pensions, but these are invested internally and not in the market.

But Deutsche Bank has plans to encourage companies to diversify part of their reserves, though it will have to work out how to prevent such funds losing their favourable tax treatment if they are invested externally. Other plans are also being made to encourage employers to focus more attention on workers' savings and pension requirements.

Another US investment bank, J.P. Morgan, is working with Dresdner Bank on the use of existing tax incentives to promote employee share ownership in large quoted companies. While pensions will not be an immediate priority, Mr Claus Löwe, head of the US bank's German operation, says: "Using incentives is an important first step towards helping employees build their own worthwhile wealth base".

Employee representatives have responded positively, he says. Deutsche Telekom would be an obvious candidate for such a scheme. Mr Jürgen Rahn, in charge of corporate finance for J.P. Morgan in Germany, believes the scheme could help stimulate share ownership. "The idea of creating a larger amount of stock placement with employees is certainly part of the whole process of improving Germany's equity culture." Thus the long-term impact of such moves could be considerable.

KEY FACTS

Area	356,900 sq km
Population	81.2 million
Head of state	Roman Herzog
Average exchange rate	1994 $1=DM 1.6218
	1995[1]$1=DM 1.4358

ECONOMY	1994	1995[2]
GNP (constant DM bn)	2,701.4	2,758.6
Real GNP growth (%)	2.4	2.1
Components of GNP (%)		
Private consumption	55.8	NA
Government consumption	18.1	NA
Gross fixed investment	19.5	NA
Change in stocks	0.5	NA
Exports	40.2	NA
Imports	-34.1	NA
Annual % change in		
Consumer prices (%)	3.0	2.2
Manufacturing production (%)	3.6	1.8
Unemployment rate (%)	8.2	8.1
Financial balance (%GNP)	-2.5	-2.3
Public sector debt (%GNP)	59.5	NA
Money supply (M3)[3]	4.9[4]	0.3[5]
Total reserves exc. gold ($bn)[4]	77.4	NA
DAX index (% change)[4]	-7.06	4.26[1]
Current account balance ($bn)	-23.7	-17.5
Merchandise Exports ($bn)[6]	425.3	524.5
Merchandise Imports ($bn)[6]	374.5	454.9
Trade balance ($bn)[6]	50.8	69.6

Main trading partners[7] (%, 1994)	Exports	Imports
France	12.0	11.0
UK	8.0	6.2
USA	7.9	7.3
Italy	7.6	8.4
Netherlands	7.5	8.2
Bel/Lux	6.7	6.1
EU	57.7	55.4

(1) Year to date. (2) Forecasts unless otherwise indicated.
(3) Change from average of Q4 of previous year, annualised.
(4) End period. (5)August. (6)BOP basis. (7)Share of world trade.
Source: EIU, Datastream, OECD

■ BANKS UNDER PRESSURE: by Andrew Fisher

In an earthquake zone

Profits remain high, but industrial failures have left deep scars on the top lenders

Germany's banks have been going through a tough time and their problems are by no means over. They still earn handsome profits, but margins are being squeezed, costs are rising and competition is hotting up. Customers have become more demanding and traditional banking methods are under threat.

Outside their immediate sphere of activity, the banks are also under pressure. Corporate disasters and costly rescue attempts have dented their image. The very mention of the names Schneider (property), Metallgesellschaft (metals, chemicals and trading), Klöckner-Humboldt-Deutz (diesels) and Balsam (flooring) are enough to remind bankers of their fallibility.

Some of these disasters and near-disasters stem from banks' close links with industry, another source of constant criticism. The big banks hold large stakes in Metallgesellschaft and KHD and were called on to help when the companies ran into trouble. Deutsche Bank, Germany's biggest credit institution, took the most flak in both cases.

Nor did Deutsche Bank, and Mr Hilmar Kopper, its chairman, emerge unscathed from the demise of the property empire of Mr Jürgen Schneider, whose flight from financial disgrace ended in the US, first in a nondescript Miami apartment and then in jail. Mr Kopper uttered the word "peanuts" to describe the size of small creditors' claims in relation to total Schneider debts and the German press pounced gleefully on this embarrassing indiscretion.

Countering those who argue that the banks have too much power – *Macht der Banken* (power of the banks) is a recurring theme on Germany's financial scene – Mr Kopper and others say the relationships with industry generally have a stabilising rather than a disruptive effect. Metallgesellschaft is now recovering fast from the near-collapse caused by its oil futures trading losses in the US, and it was the banks which saved it.

But banks' shareholdings in industry continue to make them vulnerable to political criticism. Though small in relation to total stock market capitalisation, these holdings tend to be in prominent companies. Deutsche Bank has sizeable stakes in Daimler-Benz (vehicles, aerospace and electronics), Allianz (insurance), Continental (tyres) and Philipp Holzmann (construction), among others.

Dresdner Bank, Commerzbank, Westdeutsche Landesbank and others also own large chunks of industry. Some politicians would like to see these stakes reduced, but Mr Kopper has threatened to go to the Federal Constitutional Court if banks are forced to sell shares. Such sales would incur heavy capital gains taxes.

A parallel theme to that of stakes in industry is banks' representation on companies' non-executive supervisory boards. Because of their connections with industry, bankers often occupy prominent positions on these boards. The supervisory boards of both KHD, the diesel company given a much-needed and costly capital injection this year, and Metallgesellschaft are headed by Deutsche Bank executives.

This, too, is the subject of political debate. The government may try to strengthen the supervisory board system by reducing the number of seats any individual can hold, currently 10. Banks, too, are trying to reduce their supervisory board commitments. Mrs Ellen Schneider-Lenné, a director of Deutsche Bank, said early this year that bankers should stop taking on the chairmanships of supervisory boards - "industrialists tend to be better qualified because of their experience".

Economics minister Günter Rexrodt: tough time for banks

Her comments show that banks are rethinking their industrial role as the corporate governance debate continues in Germany. Another imported concept, that of shareholder value, is also forcing them to shift their ground. If banks own too much of industry, then companies are insulated - at least, partly - from the disciplines of the capital market.

But the demand for cheaper sources of capital is in any case turning many companies away from traditional lending relationships with the banks to equity financing. The flow of new issues on the German stock market this year shows that clearly. If more companies can be persuaded to come to the market and more investors induced to put money in equities rather than bonds, the banks' financing role would change significantly.

The banks are preparing for this, notably in the area of investment banking. As capital markets become more globally integrated and German companies look further afield for sources of finance, banks are building up their skills in mergers and acquisitions, equity issues and asset management. Thus Dresdner Bank has just bought Kleinwort Benson, the UK merchant bank, and Deutsche Bank is integrating its investment banking activities more tightly with those of Morgan Grenfell, its UK subsidiary.

Other banks are also spreading their wings internationally. Commerzbank has been on a buying spree in the asset management sector and WestLB is building up its investment banking side in London. The smaller BHF-Bank has refocused its activities on corporate advisory work, domestic securities and currency trading, and portfolio management and has close links with Charterhouse in the UK and Crédit Commercial de France.

But while foreign activities may absorb much of their time and money, all German banks face intensifying competitive pressures at home in retail banking. As more people take to telephone and direct banking, the traditional branch network - one of the world's densest per capita - will undergo a change, with fewer staff and more focus on customer help.

Banks are already spending heavily on new computer and software systems to take them into the electronic banking age, with younger clients especially keen to make the most of new technology. Deutsche Bank has just launched Bank 24 as its comprehensive direct bank, with Commerzbank having entered the fray first with Comdirect in February.

Both of these units are run as separate subsidiaries, away from Frankfurt, with staff who are mostly part-time and come from outside banking. The banks do not expect to make profits from such operations until 2000. But the potential market is a large one, estimated at around 6m people or 15 per cent of total customers.

Although they are behind the UK, German banks lead the field in the rest of Europe with their move into home or virtual banking. Thus whatever their other problems, German banks have glimpsed the digital future and are investing to ensure it will be profitable.

■ HEAVY INDUSTRY: by Wolfgang Münchau

Voices of the apocalypse

Low-cost factories in eastern Europe and the Far East are causing cries of pain in Germany

German industry in the mid-1990s is undergoing profound change on a scale unknown since the beginning of the republic.

These changes are partly related to the increased cost of production of in Germany – a combination of rising wage and social costs, energy costs, and the strength of the D-Mark. They are also a consequence of competition from eastern and southern Europe and south-east Asia as manufacturing locations.

This dual problem has given rise inside Germany to apocalyptic forecasts. One industrialist, who runs a mid-sized textile machine company, said that "if this goes on, we will soon only be able to produce packages for condoms, and perhaps not even that". German newspapers and magazines are full of warnings that companies may move entire factories over to the Czech Republic or to Malaysia.

The two factors that fuelled the near-panic this year were the strong appreciation of the D-Mark against the currencies of Germany's most important export markets: the US, Italy, the UK and Spain. The half-year corporate results of 1995, while generally strong, all contained warnings that the strength of the D-Mark had a severe impact on earnings. Given the current robust economic climate, one can only guess that, had the D-Mark not appreciated, Germany would be in a boom comparable with that of the late 1980s and early 1990s.

The most prominent corporate victim of the strength of the D-Mark is Daimler-Benz, Germany's largest industrial company.

Especially at Daimler-Benz Aerospace (Dasa), the defence equipment and aircraft manufacturer, the situation has become critical, because Dasa is a company with a D-Mark cost base, while most of its sales – and all aircraft sales – are denominated in dollars. In such a case, no buffer zone exists when the currency appreciates, except in the short-term through hedging.

Despite vicious cost-cutting programmes over the years, losses have been mounting with the result that the management has this yaar embarked on a programme to allow the company "to live with a permanently low dollar". The result is a programme of job cuts, a decision to move some output to Asia, and to put business with component suppliers on a dollar basis, which amounts to passing the currency risk down to the suppliers.

Despite the D-Mark appreciation, the majority of German industrialists remain committed to the rigorous monetary policies pursued by the Bundesbank. Dissenting voices have been relatively rare.

One of the few chairmen, who came out against the Bundesbank was Mr Wendelin Wiedeking, chairman of Porsche, who in a magazine interview said that German monetary policy should not pursue low inflation as a singular aim, but should also strive to maintain a stable, or non-appreciating, currency. Porsche, of course, is a company that has been severely hit by the strong D-Mark, as much of its production is exported into the US.

But there are also examples of companies that have bucked the trend and deliberately chosen to invest in Germany despite strong competition from abroad. One such company is Adam Opel, the German subsidiary of General Motors. Opel decided to build a new diesel factory in the Pfalz region of south-western Germany. Opel managers maintain that the location offered an advantageous mix of low-costs, high-quality labour, and an unusually flexible labour agreement, even by Germany's improving standards.

Daimler Benz's Manfred Gentz and Jürgen Schremp are worried

The general level of costs, even without taking into account the exchange rate effect, constitutes without doubt a serious problem for many companies, and one where there is no immediate solution available.

> Even motor companies are starting to relocate some of their output abroad

Energy costs, a problem frequently cited as more pressing than wage costs, remain among the highest in Europe, especially if set against France. The high price of energy is a consequence partly of Germany's green politics. The energy price gap with the rest of Europe is likely to increase if the opposition Social Democrats and the Greens ever assume power on the federal level. Both are committed to a reshuffle in the tax system to reduce direct taxes in exchange for higher energy taxes.

Set against this, German managers will always point out that the high skill level of the German workforce remains the key element that sustains German competitiveness. The skill factor, of course, applies mainly to industries where such skills are not easily emulated elsewhere. While it does not apply to textile manufacturing, a high labour-intensive industry in perennial decline, it does apply to most engineering sectors, including car manufacturing, an area which indirectly accounts for 25 per cent of employment in Germany.

An additional benefit that partly compensates for the high wage costs is the increased readiness by German trade unions to entertain the idea of flexible working arrangements, which in some cases has resulted in one-off production gains of over 10 per cent.

But even within car manufacturing there is now a trend towards relocating part of production abroad. Mercedes-Benz is currently in the middle of building its first car plant outside Germany in Alabama. BMW has started production of its 3-series car and its roadster in nearby South Carolina.

However, one must not misinterpret the reasons for such shifts. In both these cases, the companies have decided that in order to improve their penetration of the US market, the largest car market in the world, it is necessary to produce and to manage locally. The argument is primarily one of marketing. Local production, of course, also offers the ultimate protection against shifts in exchange rates.

There can be no doubt that these various factors together precipitate change. However, whether that change comes to Germany's advantage or disadvantage is far from clear.

هكذا من الأجل

A welder in Berlin: industry feels the heat

■ WORKING PRACTICES: Wolfgang Münchau

Battle of the coffee break

Industrial unions are increasingly ready to be more flexible over working practices

Few aspects of German life attract so many clichés as the German labour market: labour is said to be overpriced; social surcharges are crippling; working hours short; and productivity gains moderate. German labour, it is said, has priced itself out of the market, losing out to eastern Europe, Asia, Spain and Portugal, and Britain.

Like many clichés, this is only partly true, and it underestimates the German labour market's ability to handle new situations.

There is no argument about the cost of labour in Germany, which is the highest in the world, especially when considering the insurance contributions companies have to pay for retirement pensions, health and unemployment.

The single most significant factor that has catapulted Germany to the top of the world pay league table, as measured by statisticians, is not the surprisingly large 1995 wage agreements – about 6 per cent in the metal industry – but the appreciation of the D-Mark.

A look at the unemployment figures suggests that German unemployment, while still high, is below the EU average. According to the International Labour Organisation, German unemployment was 8.2 per cent in August, which comparea with 8.8 per cent In Britain, 11.3 per cent in Italy and 11.8 per cent in France.

The German figure is boosted considerably by the five eastern states, where unemployment, though down from the previously frightening levels, remains well above the average. The ILO figures (which are only for Germany as a whole) would translate into an unemployment rate for western Germany of about 7.5 per cent, using the same statistical base. The notion widaly held elsewhere in Europe that Germany has priced itself out of the market is certainly not supported by the unemployment statistics.

The most important recent trend-bucking development in the German labour market is the increasing readiness by the trade unions to accept more working time flexibility. Mr Klaus Zwickel, president of the IG Metall, the metalworkers union, caused much surprise recently when he came out in open support for schemes under which over-time work can be recompensed not by money but by shorter working hours at times of low demand.

Two examples of such flexibility are found at Adam Opel, the German subsidiary of General Motors, and Volkswagen, its arch-rival. At Opel, management and employees agreed to a deal over a working week of 30-40 hours, giving managemant the right to decide on actual working times in response to production cycles.

The 35 hour week, the present norm in the metal sector, is therefore no longer a weekly target but merely an annual statistical average, to which Opel remains committed. Mr David Herman, chief executive of Opel, said "this is the most innovative labour arrangement I have experienced in my entire working life, whether here or in the US".

The question of working time was also the main topic of controversy in the arduous annual summer wage round at Volkswagen. The agreement reached in September envisages a similar flexibility, with the added concept of "employment checks".

At times of above-average demand, workers will be asked to work at top end of the working week "window". For the additional hours worked, they will receive employment vouchers, which can be cashed in at times when employment levels fall below average.

Outsiders are prone to underestimate the impact of working time rules on productivity. At Opel, the mere introduction of a 10 hour window is expected to produce an 11 per cent jump in productivity.

At Volkswagen, the deal also marks an improvement, albeit from a near- catastrophic starting point. Experts claim that the company, which employs close to 100,000 in Germany, is overstaffed by about 30,000.

As a company with a long state-owned tradition – today the state of Lower Saxony still retains a minority stake – VW operates some archaic working time rules.

For example, VW workers

> High wages and greater flexibility over hours may become the basis of further industrial agreements

are allowed an hourly break of 2½ minutes – five minutes before the recent wage agreement – during which the entire plant comes to a standstill and workers flock to coffee and cigarette machines. There is now a debate whether to have one break of 2½ minutes every hour, or a break of five minutes every other hour.

The issue of flexibility does not end with the working time window. Both Opel and VW tried, so far unsuccessfully, to introduce Saturday as an ordinary working day. VW operates limited Saturday work and will continue to do ao, but failed with its central demand for a six-day working week.

That level of flexibility la still anathema to the trade unions. The IG Metall argues that Germany has a tradition of a work-free weekend, which should not be sacrificed for profits.

A trade union, in a recent press interview, said that by agreeing to Saturday work "we would open the floodgates for seven-day work round the clock".

Such fears are not unfounded. When Siemens, the electronics company, recently decided to locate a semiconductor plant in the UK rather than Germany, it gave as one of its main reasons the ability to run three shifts seven days a week.

The trade unions, however, recognise that working place security and high pay levels still rank as the highest priorities among the multiple objectives of their members.

It is unclear whether Saturday or Sunday will evar become ordinary working days. But It appears that the mix of high wages, low and falling average working hours and increasingly flexible time arrangements will be the basis of further industrial agreements in Germany.

PROFILE Dieter Schulte

Labour's generalissimo

Michael Lindemann on the influence of the unions and their national leader

If Mr Dieter Schulte plays his cards right he can be one of German's most powerful men.

As head of the Deutscher Gewerkschaftsbund or DGB, the Federation of German Unions, he commands an army of almost 9.8m workers belonging to 16 unions in everything from the leather industry to the police.

That army may be gradually shrinking, as people in many countries leave unions, but DGB officials say membership has risen in recent months following a successful wage battle earlier this year.

Playing the right cards is becoming increasingly difficult for Mr Schulte, however.

The 55-year-old, who began his career as a blast furnace bricklayer at the steelmaker Thyssen, acknowledges that structural changes are occurring which are transforming the traditional industrial society and require the unions to adapt quickly. On the other hand, there is little evidence of a strategy to combat these changes. The DGB boss dismisses talk about German companies moving production abroad because Germany has the highest wage costs in the European Union.

"The suggestion that (production) will be moved to the lower wage countries in the east – Poland, the Czech Republic – has merely become the substitute for Japan," Mr Schulte said, trying to relight the pipe which has become one of his hallmarks.

"Ten years ago we were told: 'If you're not more flexible on the question of working hours, if you're not more flexible on the question of wage agreements, then the Japanese will overtake us.'" That has not happened, Mr Schulte says, and when German companies invest abroad they do so mainly to supply growing markets more efficiently and not solely to escape Germany's the high wages.

In 1993, he says, German companies made direct investments worth DM153bn in other EU countries, invested DM76bn in the US and spent a thumping DM12bn in Switzerland which is even more expensive than Germany.

When it comes to the cheaper eastern European destinations, the figures pale in comparison: DM0.6bn was spent in Poland, DM0.1bn in Russia and DM2.2bn in Hungary.

But there is evidence that this time Mr Schulte may have got it wrong. Many factories and plants in towns not far from Düsseldorf, where the DGB is headquartered, have closed in recent years.

Furthermore, the IKB Deutsche Industriebank, a bank which closely linked to the investment decisions of many German companies, says that its Düsseldorf branch has received inquiries from about 400 of its 2,000 longer-term clients, many medium-sized German companies, about moving production several hundred kilometres to Poland or the Czech Republic.

A recent OECD report meanwhile identified Germany and Japan as the only two industrial nations where inward investment is "negligible".

Mr Schulte insists that issues such as Saturday working and greater flexibility on working time can all be discussed but he says that in the process the employers are trying to dismantle the entire relationship with the unions which has proved remarkably successful over the last 50 years. That is something he rejects outright.

Dieter Schulte: a question of strategy and vision

He says he is trying to reform the DGB and get the member unions used to the idea of structural change, including the implications brought about by better communications and information technology.

Progress is being made, he says. Six or seven years ago it was still taboo to discuss such developments, partly because changes such as home-working may also have radical implications for union membership, creating a situation where unions can no longer keep tabs on their members the way they used to on the factory floor.

Mr Schulte, however, is keen to see more and more people working from home. Union members, he says, can in future be recruited over the Internet or other new media.

As well as having to try to reform the DGB, Mr Schulte is in delicate discussions with chancellor Helmut Kohl and the barons of German industry over how to improve employment in Germany.

The DGB has made proposals to restructure the way social insurance is being paid but that would merely require the federal government to find more money. A 4 per cent wage rise for the engineering industry earlier this year suggests that prospects of a significant cut in wages look dim.

Mr Schulte is no fiery union leader, who saunters up to the rostrum and mesmerises his audience. That is just as well because the close ties between German unions and employers is not suited to the likes of an Arthur Scargill, the turbulent leader of the British miners.

Schulte has a penchant for the blue shirts with white collars – which one normally expects to see the employers wearing – and a weakness for Hermes ties. His wife, he says, used to drive a Porsche but he has forbidden her to do so because, even though she is self-employed, it would cause Mr Schulte, a "union functionary", problems.

Dress aside, Mr Schulte has worked his way up through the unions and knows better than anyone else how they can be marshalled.

German workers may well be reluctant to see a real fall in wages, given the high levels of taxation. Mr Schulte remains, however, one of only a few people who can help find a way out of the impasse caused by high wages and rising unemployment.

■ SOCIAL SECURITY: by Wolfgang Münchau

Towards a two-tier welfare system

Wealthier people are *turning to* private health schemes as the state pays less

The main reason why Germany's labour costs are the highest in the world is not the level of salaries and wages but the cost of social security, borne to equal degree by employees and employers. In total, they account for about 40 per cent of the wage costs.

The current debate about Germany's loss of competitiveness invariably pinpoints the social system as the main culprit, both in terms of the way its structured and the way it is funded. The unemployment insurance is the smallest, and least controversial, of the three. Most attention and criticism has focused on health and retirement insurance.

The health reform of 1992 was essentially a big cost cutting drive which curtailed so-called non-essential services, such as the famous spa health vacations, the Germans' favourite remedy for virtually any disease and a testimony to their fondness for alternative therapies.

Expensive drugs were also put on the blacklist where cheaper alternatives are available, as were a series of cheap but popular medications, such as hay fever cures and certain pain killers, which are now available over the counter.

The reform of the health care system may have been the only real and substantive reform of Germany's social security system that has ever been attempted.

It succeeded on its own terms. It cut costs and health contributions, added a degree of competition between the various insurance funds, and it eliminated at least some of systemic abuse. Most doctors, however, would add that it has led to a two-tier health system, one for those on the mandatory scheme and one for those who can afford supplementary private insurance.

The health systems may yet see further deregulation, but this is a subject of strong disagreement among the two coalition parties in Bonn. The FDP, the liberal party and junior partner in chancellor Helmut Kohl's government, insists on further radical reform, especially supply-side deregulation to give doctors greater freedoms, including the free choice of location. If the FDP gets its way, Germany will be well on its way to a health system closely resembling that in the US.

Within the *framework* of Germany's social insurance system, the element that has proved most resistant to change is the country's retirement fund, a grandiose book balancing act, as pensions are paid out of the contributions from those in work. It is a system based on a generational solidarity, where one generation pays for the previous generation, hoping to be rewarded by a pension financed by the successor generation.

In the past there have been many forecasters who predicted that the system would collapse because of Germany's low birth rates. Again and again, these predictions proved wrong. The contributions are higher now than they were 30 years ago, but the retirement insurance itself is not under threat for any foreseeable time (that is until the year 2010 on current calculations, beyond which forecasting would become hazardous.

Gateway to a land of plenty: an entry point on Germany's border with Poland

The system also coped with German unification, absorbing a whole generation of pensioners and one of early retirees, and this without sufficient compensatory contributions from those in work.

Mr Norbert Blum, the labour and social security minister, is probably the strongest public defender of the retirement insurance system against regular and *increasingly alarmist* critics. He dismisses the notion that demography is a threat to the system, arguing that historically the income of the retirement insurance fund correlated much more closely with the growth in gross national product and the productivity of the economy, than with the number of contributors.

In a recent article in Handelsblatt, the German financial newspaper, he wrote "we must stop always counting heads. What matters for the future of our retirement system, and for the whole social system in general, is the *productivity of* our economy... If this isn't proof enough, one should look at countries in the third world where the population explodes and where the health provision is totally insufficient."

Mr Blüm remains opposed to any attempts of fundamental structural reform, be it the shift to a basic pension – one that is unrelated to the level of contributions – or a shift to a fully-funded scheme which he said would costs "trillions" of D-Marks, an amount that would overstretch the capital markets, and that one could not invest safely and profitably.

The system's capacity to survive has depended largely on its ability to plug perceived *gaps. For example, early retire*ment schemes currently fund themselves partly through the insurance system. The government argues that early retirees have a higher life expectancy than normal retirees and should therefore receive lower pensions, lower even than their contribution level would justify. It is not inconceivable that the principle that pensions should match contributions could be interpreted much more losely in the future than in the past.

A crack-down on pensions for early retirees would abruptly end Germany's early *retirement boom – one of* the factors that has kept the rate of unemployment significantly lower than it would otherwise have been, especially in east Germany. There is, of course, more leeway. The next funding shortfall could be filled by an extension of the retirement age from 65 years to 70.

The real danger to the system is not so much the threat of bankruptcy of the system itself, but of the effects it has on the rest of the German economy, and the continuing backlash. If the high level of social security and wages resulted in lower competitiveness – not the imaginary crisis as preached from the bully pulpit of German industry but a real competitive shift – pressure for change will intensify.

Despite the noise surround*ing this subject*, Germany's competitiveness, like the retirement insurance system, has proved more resilient than the critics would acknowledge. German unemployment remains below the EU average and corporate profits are healthy, as are investments.

The other factor that could precipitate reform would be a sudden shift of expectations, especially among the younger generation of contributors, who may conclude that their contributions are disproportionate to their expected pensions.

If private pensions were to be regarded not only as safe, but also as more advantageous, political pressure could become intolerable. Judging from anecdotal evidence, young people in particular regard the retirement pension as a tax. The sys*tem is based on compulsion*. It allows no opt-outs, except to the self-employed.

But despite these potential hazards, the odds must be that the system will survive, tottering from one reform patchwork to another. Its resilience is based not merely on its seemingly endless ability to pluck ever more holes, but also on the mind-boggling difficulties a transition to a new system would create.

It must be doubtful whether, if Germany had to reinvent its retirement system, it would opt for exactly the same system. But starting from here, it is *difficult* to imagine a transition that is both equitable and financeable.

The German constitution with its emphasis on inalienable property rights makes it virtually impossible to allow a change that would put any generation of contributors at a disadvantage – and any change would be costly.

PROFILE **Norbert Blüm, labour and social affairs minister**

Big spender's ordeal

Mr Norbert Blüm is a politician with his back to the wall, PETER NORMAN writes.

True, the 60 year old minister for labour and social affairs is the longest serving member of the cabinet of Chancellor Helmut Kohl, having held his present post since Germany's centre-right coalition first took office in October 1982.

He presides over the Bonn government's biggest ministerial budget – set at DM118.3bn or 26 per cent of planned federal outgoings for next year.

An impressive stump orator, "Nobby" Blüm *is also* one of the few politicians in Germany to have a nickname and to generate genuine affection among voters. A recent poll found that 67 per cent "would like to see him play an important role in the future", giving him a higher rating in this respect than chancellor Kohl.

But Mr Blüm finds himself increasingly criticised in the media and elsewhere as an old style politician with an instinctive desire to spend money and distribute largesse. At a recent conference about Germany's *industrial future*, Mr Hans-Olaf Henkel, the president of the German federation of industry, told Mr Blüm that he could not tell the difference between him and Mr Rudolf Dressler, the social policy expert of the opposition Social Democrats.

Such blunt talk is unusual in Germany. But the reasons are not hard to find. Germany's generous social security system may take care of the nation from cradle to grave. But it accounts for a third of gross domestic product and is increasingly perceived as creating barriers on the *road to growth*.

To some extent, Mr Blüm's present plight reflects his longevity in office. Some of the policies he has advocated in the past are yielding bitter fruits today. One such is early retirement, a device that was used for many years as a way of keeping down unemployment while creating *demand in companies for* young apprentices. Since the recession of 1993, firms have used early retirement increasingly to shed labour, putting the state unemployment insurance and pension schemes under heavy financial strain. One outcome

Norbert Blüm: generous, stubborn and popular

will be an unpopular increase in individual pension fund contributions to 19.2 per cent of incomes next year from 18.6 per cent this year.

Mr Blüm takes issue with those who say *he is to* blame for Germany's high social levies and is deeply sceptical of many of the remedies currently touted for trimming the welfare state.

He says many of the financial pressures on the

> Blüm's power base is on the left of Mr Kohl's CDU

social security system date from German unification and *measures he has pushed* through since 1982 to consolidate social security budgets yielded savings of about DM60bn last year. The share of social expenditures in *western German* GDP fell to 30.2 per cent in 1994 from 30.7 per cent in 1989, he says. It is the high cost of social security in eastern Germany, which had to be subsidised by western employers and employees as well as the Federal budget, that has pushed pan-German social costs up to a third of national output.

However, it is likely that Mr Blüm would have a more sympathetic hearing if he had not ruffled many feathers over the years. He has been an extremely active minister and never afraid to push ahead with a pet scheme, irrespective of the opposition that it incurs. A case in point is his plan to prevent foreign contractors paying low wages to non-German workers employed on German building sites, which he pushed through cabinet against the opposition of Mr Günter Rexrodt, the economics *minister. The plan has since* been disowned by the main employers' federation and may be unworkable. But this has not prevented Mr Blüm from continuing to back it.

Undoubtedly, such stubbornness adds to his popular appeal. He is a self made man, who left school aged 14 to work as an apprentice machine maker at the Adam Opel motor works *near Frankfurt*. In the 1950s he studied at night school for the qualifications that would give him a university education. By 1967 he had obtained his doctorate.

Mr Blüm is married with three children. Trade unions and the Catholic church have played an important part of his life. He joined the I G Metall union and the Catholic workers' organisation in 1950, the year in which he became a member of the Christian Democratic party. By the late 1960s, he was making his mark on the leftist, labour wing of the CDU.

Mr Blüm's power base is still on the left of the party and it is here that he is of most use to chancellor Kohl. In June, for the first time in six years, Mr Kohl attended a delegates' *conference* of the Christian Democrat workers' movement. It was a clear signal that the party's left wing still counts. With the Social Democratic party in disarray, Mr Blüm, and all he stands for, are too important to be pushed completely to one side.

هكذا من الأصل

PROFILE Jürgen Stark

Mr Kohl's trusty sherpa

Jürgen Stark is a man with a lot on his plate.

At the start of this year, the 47 year-old official took over one of the toughest jobs in the German government, that of state secretary in the Bonn finance ministry.

He is, in effect, the ministry's foreign minister. But his responsibilities do not stop there. A heavy domestic agenda puts him in charge of preparing the government's privatisations, taking responsibility for the customs service, dealing with money and credit policy, and keeping an eye on the supervisors of Germany's banking and insurance industries.


Jürgen Stark: preparing to fight over Germany's EU payments

This year, he also became chancellor Helmut Kohl's "sherpa", and so one of the senior officials that prepare the annual Group of Seven economic summits. Wearing another hat as "G7 deputy", he is responsible for high level co-operation with finance ministries of the US, Japan, France, UK, Italy and Canada.

Stark also belongs to the European Union's secretive monetary committee, which oversees the workings of the European exchange rate mechanism, and is Germany's chief negotiator on the EU budget.

Stark's promotion to state secretary followed the surprise departure of Gert Haller to head the Wüstenrot housing finance bank. As Haller was the second person to leave the key finance ministry post in two years, Stark has promised Mr Theo Waigel, finance minister, that he will stay in his present post as long as Waigel wishes.

Stark did not initially plan the career that would turn him into Germany's financial éminence grise.

After completing military service in 1968, he studied economics at the universities of Hohenheim and Tübingen and then held a junior academic post in Hohenheim for five years.

He is deliberately self effacing, but with a glint of steel in his eyes. He could still pass for a professor and he would have stayed happily in academe. But attractive

> Two previous holders of his office rose to become president of the Bundesbank

posts were few and far between in the late 1970s. He therefore decided to enter government service, joining the Bonn economics ministry in 1978.

Stark's career moved up a gear in 1988 when he moved to the federal chancellery, the power centre of government in Bonn.

There he became the official responsible for international monetary and financial affairs in 1991.

By October 1992, he had moved to the finance ministry where he was initially in charge of the department dealing with capital market issues, government borrowing and the drive to enhance Germany's standing as a financial centre.

In August 1993, during the crisis surrounding the French franc in the ERM, he took over the finance ministry department responsible for international monetary and financial affairs as well as Germany's financial relations with tha EU.

It has done his career no harm that he hails from Rhineland Palatinate, chancellor Kohl's home state. He is clearly at ease with the chancellor.

At press conferences, when he has shared a platform with Kohl, he has shown none of the nervousness displayed by some officials.

In the chancellery, Stark established a reputation for competence and loyalty. He helped prepare five G7 summits between 1988 and 1992, gaining valuable insights for his role as German sherpa for this year's G7 summit in Halifax, Nova Scotia.

He is the senior official supporting Mr Waigel in the twice yearly meetings of the policy making Interim Committee of the International Monetary Fund.

Such roles are influential, but rarely grab the headlines. In EU affairs, however, Stark has achieved some notoriety. Shortly after becoming the finance ministry's top external official, he made waves in the EU monetary committee by proposing that the European Bank for Reconstruction and Development, the international institution set up to help former communist countries become market economies, should move its headquarters from London to Bonn.

The suggestion, which was mada in response to EBRD complaints about its high costs, was seen by some committee members as an example of his dry sense of humour.

That was true to a point. But it also betrayed a determination to fight hard for Germany's interests.

This determination will be tested to the full in the years ahead as he takes the lead in battling for a reduction in Germany's contribution to the EU budget.

Germany is by far the biggest net contributor to the EU budget, currently meeting over 70 per cent of outgoings. While annual federal government spending is set to increase by only 1.1 per cent between this year and 1999, Germany's contributions to the EU budget are scheduled to jump by nearly a third.

The EU budget is an issue that raises the hackles of government officials in Bonn, almost as much as it did those of Mrs (now Lady) Thatcher in the early 1980s, when she demanded "my money back" for Britain.

The Bonn finance ministry has made clear that, in the review of EU finances that will take place before 1999, it will seek a new system of contributions that shares the burden more fairly.

The EU budget issue will be Stark's big opportunity to make his mark. And if he succeeds, what then?

The state secretary's office in the finance ministry has traditionally been a spring board to still higher office. In the past 20 years, two of Stark's predecessors – Karl-Otto Pöhl and Hans Tietmeyer – went on to become Bundesbank presidents, while one state secretary – Manfred Lahnstein – became Bonn finance minister.

Peter Norman

■ POLITICS: by Peter Norman

Ideologies on the wane

While Mr Kohl is riding high the SDP opposition is in deep despair

One year on after the German general election of 1994, chancellor Helmut Kohl is the unchallenged master of German politics.

Recent national opinion polls have given his alliance of Christian Democratic and Christian Social parties 47 per cent of vote, putting them in a commanding 19 points lead over the Social Democratic party, which has been registering its lowest popularity ratings since the SPD's re-establishment 50 years ago after the years of Nazi tyranny and the second world war.

In recent months, the environmentalist Bündnis 90/Green party has posed the only effective opposition to the government in Bonn, although its poll ratings of around 13 per cent mean that for the time being it will depend on participating in coalitions at state and municipal level for a taste of power.

The Free Democrat junior members of the centre-right coalition in Bonn risk total eclipse as a serious force in German politics unless they can be sure of winning more than 5 per cent of the vote in a trio of vital Land elections to be held on March 24 next year. At national level, the performance of the former Communist Party of Democratic Socialism has been still less impressive: its poll ratings have been about 4 per cent.

A year ago, chancellor Kohl's dominance of the domestic political scene seemed anything but inevitable. The CDU/CSU parties garnered just 41.5 per cent of the votes cast in the general election. With the FDP, which won 6.9 per cent, the ruling centre-right coalition scraped back into power with a majority in the Bundestag, or lower house of Parliament, of just 10 seats. In the Bundesrat, the upper house which represents Germany's 16 federal states, Social Democrat-led governments have a majority. Cassandras predicted stalemate between the two branches of the legislature and the collapse of the government following defections from its ranks.

Instead it is the SPD that has plumbed the depths of despair. Early this month, only 15 per cent of voters said they thought Mr Rudolf Scharping, the SPD leader, would make a good chancellor, a dramatic shrinkage of support from the 36.4 per cent who voted for him at the last general election.

The precipitate decline of the party of Willy Brandt and Helmut Schmidt has kept the German political class in thrall for the past 12 months. In the normally quiet summer months, the SPD was riven by a feud between Mr Scharping and Mr Gerhard Schröder, the prime minister of Lower Saxony and a long standing rival, over who should be the party's candidate for chancellor in the next general elections in 1998.

Policy differences have smouldered behind the personality clash. Mr Schröder is more pro-business than Mr Scharping. He believes the party must embrace ideas of economic flexibility if Germany is to prosper in an age of globalisation and overcome the handicap of having the highest labour costs in the world. Mr Scharping talks of the need for a modern economy but is equally determined that this should not be at the cost of "social peace".

The party has been divided over other issues ranging from Germany's role in Bosnia to whether or not to build the Eurofighter aircraft. Differences over political strategy, with Mr Schröder's allies prepared to contemplate a alliances with the Greens, have contributed to the picture of a party in disarray.

The SPD leader's performance in parliament has come under critical scrutiny since a disappointing speech in last month's Bundestag debate on the 1996 budget. He has been accused of lacking political and tactical skills. He spent a lot of political capital supporting an unpopular plan to increase MPs' salaries by about 50 per cent by the end of the century only for it run into trouble with SPD leaders in the Bundesrat. Mr Scharping's lack of charisma and wooden performances at public meetings and on television compare unfavourably with the apparent dynamism of Mr Schröder and the comforting solidity of chancellor Kohl.

Mr Scharping's handling of the gathering crisis could have been better. He dismissed Mr Schröder as the party's chief economic spokesman at the end of August. But the move, instead of instilling solidarity and discipline in the SPD ranks, was followed by a series of high level resignations from the party's leadership in parliament. The problems in the party were highlighted at the end of September by the departure of Mr Günter Verheugen from the post of SPD general secretary.


Unequal match: Mr Kohl takes a call while Rudolf Scharping, leader of the SDP, addresses parliament

But it is an open question how far anybody could have prevented the SPD from internal haemorrhaging. According to Mr Matthias Jung, head of Forschungsgruppe Wahlen, a Mannheim-based political research institute, the party's problems in part reflect underlying changes in German politics. Recent years have seen a weakening of the ideological and confessional roots of the principal parties set up after the second world war. But Mr Kohl's CDU and its Bavarian sister party, the CSU, have made a far better job of adapting to this change than the SPD. While the SPD has been tearing itself apart this year, the CDU has, for example, been carrying forward a programme of internal reform to make itself responsive to ideas generated among activists in their local party organisations.

Mr Hans Jürgen Hoffmann, chief political researcher at the Bonn-based Infas public opinion polling company, points out that the greater pluralism in German politics, which over the past two decades has produced a number of smaller parties, poses challenges for both big parties. Though Mr Kohl may be riding high in the polls at present, support over the long term has ebbed for the CDU/CSU as well as for the SPD. Long gone are the days when the two main blocks could win 90 per cent of the vote in a general election.

If Mr Kohl has any worry at present, however, it will be that the troubles of the SPD and his own party's popularity are peaking too soon in the four year life of parliament. For with a legislative programme that is worthy rather than gripping and growing concern about unemployment, three years to the next general election is a long time for the government to sustain current levels of support.

More politics on pp 8 and 10

■ THE FREE DEMOCRATS: by Judy Dempsey

The centre may not hold

After decades as a junior Bonn coalition partner, the centrist FDP is in deep crisis


Quick change: foreign minister Klaus Kinkel (r) with Gerhard Westerwelle (l) who replaced him as FDP chairman

Germany's liheral Free Democrats (FDP) know that the elections in the state of Schleswig-Holstein, Baden-Württemberg and Rhineland Palatinate, which are due early next year, could either revive the party's fortunes or aend the clearest ever signal that the FDP is no longer *relevant*.

Over the past 18 months, the FDP has suffered a string of electoral defeats. It lost 11 state elections and it failed to get re-elected to the European Parliament.

In a hid to seek explanations for these defeats, FDP officials oow argue that duriog the 1970s and 1980s they relied too much on the personality of Mr Hans-Dietrich Genscher, the former foreign minister.

Mr Genscher was skilful at exploiting the party's role as king-maker in German politics. For many years, the FDP provided the crucial support for both main blocks – the Christian Democrats/Christian Social Unioo or the Social Democrats – to form stahle coalition governments. It also belped to prevent a polarisatioo of German politics.

But perhaps Mr Genscher went one step too far in 1982 when he pulled tbe FDP out of the Social Democratic coalitioo, a move which precipitated a general election. Chancellor Helmut Kohl's Christian Democrats *were returned* to office, with the support of the FDP.

Today, Mr Kohl enjoys only a 10-seat majority at a time when the FDP's electoral support continues to wane.

By pulling the FDP out of the SPD coalitioo, Mr Genscher allenated the more traditional wing of the FDP, a wing whicb was, and remains, committed to civil libertles and more rights for tbe 6m foreigners who have no vote, except in local elections.

But more importantly, there was a perception among FDP voters that because the party could change sides so easily, and since 1982 has heeo lo coalition with the CDU, that they were prepared to compromise their policies to remain in power. "Because of this, the FDP has an identity problem," said Ms Cornelia Schmalz-Jacobsen, a member of the FDP's federal council.

Mr Klaus Kinkel, who succeeded Mr Genscher as foreign minister in 1992 and leader of the FDP in 1993, did little to give the party a fresh start. He was too beholden to Mr Geoscher, wbo had personally chosen *him* as his successor, and too inexperieoced as a polltician – he joined the FDP ouly in 1992. The questlon is whether Mr Wolfgaog Gerhardt, *elected last June* to succeed Mr Kinkel, will stem the electoral decline.

> Voters will soon show how much they need the liberal FDP

Mr Gerbardt, head of the FDP in the state of Hesse, one of the few states in whicb the FDP was returned to the state parliameot after elections last March, knows the party insIde out. He also knows the challenges It faces. "We have to get across the party's point of view," he said recently. "This means having a certalo distance from the Christian Democrats. I am in a positioo to do this because I am oot in governmeot [unlike Mr Kinkel]," be added.

But distance from the government in a bid to sharpeo the party's identity may not be eoough. Mr Gerhardt, wbo often appears a worthy, hut dull politiclan, has taken over the helm of the party at a time when the environmentalist Bündnis 90/Green alliance is forging ahead in the opinion polls, often reaching 15 per cent.

"We know that some of our traditional voters are drifting to the Greens," said Mr Gerhardt, admitting that the Greens will receive more credibility as a party fit *to govern* oo the federal level if they can auccessfully govern in coalition with the Social Democrats in the state of North-Rhine *Westphalia*, Germany's *most* populous state. There, the SPD was forced to form a coalition with the Greens last May after it had lost its absolute majority.

But eveo if some FDP voters are defecting io the Greens, one might have expected the *FDP* to be *in a position* to exploit the weaknesses of the SPD. Under Mr Rudolf Scharping, the SPD has plummeted in tbe oplnlon polls as voters believe be is an Ineffective leader of the opposition, has failed to modernise the party particularly since the Cold War is over, and is seen incapable of leading the SPD to vlctory in the federal elections due in 1998.

Curiously, the FDP has made little inroads In this direction. If aoything, SPD voters are driftlog to the Greens. The SPD and the FDP are being squeezed by the Greens.

This extraordinary development suggests that the malaise in the FDP – and the SPD – is *more than a leadership problem*. "Whether we like it or not. German reunification is changing the political climate in Germany," a FDP senior official said. "And I am not so sure if we recognise this," he added.

The end of the cold war and unification has made Mr Kohl's governing Christian Democrats less ideological; the communist threat is over.

At the same iime, Mr Kohl *has skilfully* managed to co-opt some of the Greeo's policies, for instance more commitment to environmental issues. He has also managed to weaken *the FDP's agenda, for instance* by cutting - albeit with the prompting of the constitutional court - subsidies for the uncompetitive coal industry.

This has led to a bizarre situatioo where the Greens have increasingly become the party for more radical libertarian *policies*, the *CDU is becoming* more pragmatlc in its economic policies necessitated by the soaring costs of German reunification, and the FDP is searching for its identity.

"There is a competition betweeo the FDP and the Greens [for voters and ideas]," said Mr Gerhardt. "But at the end of the day, and I repeat this, Germany needs a liberal party to act as check, wbether it be oo the Christian Democrats or any possible SPD/Green coalition," said Mr Gerhardt. "We cannot allow a polarisatioo of politics." The coming mooths will reveal just bow moch the voters oeed the FDP as the liberal party.

■ THE GREEN PARTY: by Judy DEmpsey

Colourful resurgence

The born-again Greens now stand for a lot more than the pure milk of environmentalism


Joschka Fischer, Green MPs' leader: arousing strong feelings

Ever since Germany's environmentalist Greens were founded 28 years ago, the estahlished political parties have repeatedly said they were a passing phenomenon; that thair fundamentalist philosophy, rooted in local grass roots politics, pacifism, a rotating leadership and a deep antipathy towards the Nato alliance would find no long-term place in German politics. The Greens, in short, would disappear.

That nearly happened. After the December 1990 federal elections, they failed to jump the five per cent hurdle required to enter the Bundestag, or *parliamentary* lower house. It was only because of special circumstances in the first elections after German reunification, in which east German votes were not counted together with west Germany's, that environmentalists were represented in the Bundestag. Eight east Germans were elected. The sceptics were ready to write off the Greens as a force to be reckoned with.

Mr Joschka Fischer, the current parliamentary head of the Greens, used the 1990 electoral defeat as an opportunity to modernise the party. The fundamentalists, or "Fundis", were marginalised in 1991, paving the way for the takeover by the pragmatists or "Realos".

By *October 1994*, the Greens, which the previous year had merged with Bündnis 90, a loose alliance of east German civil rights movements thrown up during the anti-communist movement in late 1989, stunned their critics. Not only were they returned to the Bundestag with 49 deputies. They had become the third largest party, after the liberal Free Democrats.

Since then, the Greens have gone from strength to strength. They are in coalition with the Social Democrats in the eastern state of Saxony-Anhalt and in North-Rhine Westphalia, Germany's most populous state. Opinion poll after opinion poll gives the Greens 15 per cent of the vote. There are even suggestions that if the Greens can maintain this momentum they could possibly be a junior coalition partner *after the 1998 federal elections*. But that is some time off. And more importantly, the future of the Greens may well depend on what happens to the Social Democrats (SPD) and the Free Democrats (FDP).

The Greens have reached this status for several reasons. First, the pragmatists believed in 1991 that the time had come for the Greens to play a greater role on the federal level.

"We *started* on the grassroots level, as an environmentalist party committed to green issnes and civil rights and opposed to nuclear power," said Ms Anna Nilges, spokesperson for the Greens. "We believed that it was time to translate these issues on to the federal level in a coherent way. *I think our voters expected us* to move forward, otherwise we risked becoming irrelevant or at best, remaining a fringe party," she added.

The other reason is that the 1968 generation, which forms the basis of the Greens, are now successful middle-class professionals, many of them teachers, doctors, self-employed and running small Mittelstand eoterprises. Surprisingly, they have not defected to the FDP, their natural constitueocy. Instead, they have stayed with the Greens and have helped to shape the party's economic and foreign policy.

For instance, while the Greens remain wedded to an environmental or Green tax in a bid to save energy, they say they do not want to impose an additional tax on an already tax-hurdened population. Mr Fischer himself has said he would try to ahift taxation from the employers and employees to a Green tax. The pragmatic Greens realise that even their most fervent supporters would not support more taxes.

And although they are committed to the state playing a greater role, especially in the economy and environment, the Greens recently proposed that the government of Lower Saxony should reduce its 20 per cent stake in Volkswagen, which is located in that state, in a bld to reduce subsidies and give more scope to the market.

Even in foreign policy, the Greena have hroken a long-standing taboo. Last July, *Mr Fischer* unveiled a document calling for a radical reassessment of its foreign policy. He saw no reason wby German troops could not be sent to Bosnia.

The point about these changes is that the Greens want to broaden their *electoral* appeal, show that it is responsible enough to share power on the state, and possibly the federal level, and want to establish themselves as the country's *third largest* party, in effect becoming the new kingmaker, a role traditionally held by the FDP.

The Greens, however, may find themselves in a dilemma. If they continue along the present pragmatic course, they may run the risk of alienating the traditional, radical and idealist wing of the party which still enjoys wide support at the grassroots. Last May's elections in North-Rhine Westphalia suggests, for the moment, that the Greens can hold on to this support.

More importantly, the real strength of the Greens might only be properly tested if and when the SPD and the FDP get leaderships which are charismatic and dynamic, qualities which the Greens today enjoy over both of these parties.

Green politicians admit that they benefit from weaknesses of the SPD's and FDP's policies and leadership and that these weaknesses have allowed Mr Fischer to move quickly to win disillusioned voters from both parties.

The Greens, for example, have increasingly taken *over* the civil rights agenda, once the plank of the FDP. They have even beaten the SPD to the line in terms of foreign policy, especially over Bosnia. Indeed, the Greens' policies have not been ignored by the CDU.

In recent months, the CDU has become more "green", aware that it has to appeal to a more prosperous younger generation of voters. And in spite of Mr Kohl's repeated criticism of the Greens policies, he no longer balks at the idea of CDU/Green coalitions at local level, recognising perhaps that the Greens are a force to be reckoned with.

It is still too early to say if there is long-term room in the German *political system for* the Greens. Mr Fischer is the first to admit that the established parties have co-opted Green policies. "That can cut both ways," he said recently. "The parties can chisel away at our ageoda and adopt some of our policies which means we have been successful in making them change. Look at how many jobs the recycling industry bas created. On the other hand, it also shows that we have to keep up the pressure, that there is support for our policies, and that our voters expect us to keep pushing them higher up on the ageoda and act as a forceful oppositlon."

هكذا من الأصل

هكذا من الأصل

INDUSTRIAL RESEARCH AND DEVELOPMENT: by Andrew Fisher

Self-confidence is shaken

Europe's leading industrial power is aware of its shortcomings in innovation

Is Germany going through an innovation crisis which threatens future employment and growth? Or are those who say so protesting too much in one of the world's most highly developed and successful industrial countries?

There is plenty of talk of crisis. Also criticised is the lack of a supportive business, financial and political environment for new ideas and dynamic entrepreneurs. The Cassandras include scientists, industrialists and economists. Opinion polls show their views have permeated through to the public who are concerned about waning competitiveness and the threat from south-east Asia.

Those tending towards Angst have much evidence in their support, especially in the form of stagnant research and development spending, a weak showing in the world patents league and a relatively low export share in high-technology sectors. But so do those who argue that Germany has not lost its innovative spirit, although it lags well behind in some high-technology sectors.

Certainly, talk of a crisis seems to be overdone. Germany's big companies are world leaders in their fields and are renowned for the quality, technological content and reliability of their products. The myriad Mittelstand (medium-sized) businesses also contain supreme examples of innovative market leadership.

But Germany lacks a strong presence in technologies shaping the future such as microelectronics and biotechnology. Surprisingly, in a country which exports such a high and varied volume of products, new technologies often tend to be regarded with suspicion – either as "job killers" or as environmentally suspect.

Small companies in these areas often find it hard to get started and then stay alive. Venture capital is woefully under-developed in Germany and much of the thrust in risk financing comes from abroad. Small concerns in the medical technology, genetic engineering and software sectors often have to leave Germany, mainly for the US, to obtain adequate finance.

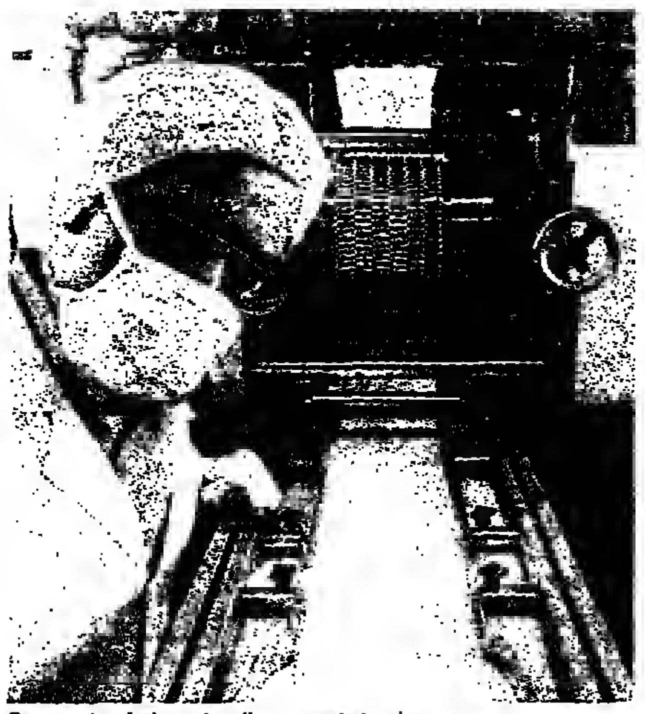
This partly reflects an aversion to risk among German investors and the lack of a stock market which adequately serves both big companies and those still in their youth. Moreover, among Germany's large quoted companies, only one – SAP, the business software producer – is wholly in a new technology area. Other longer established companies apply modern technology extensively, but have their roots in traditional engineering, motor and chemical and other sectors.

On some measures, Germany is definitely behind its main competitors in the technology league table. Mr Hartmut Weule, head of research and development at Daimler-Benz, the vehicle, aerospace and electronics company, talks of an acute "lack of agility", as shown by patent statistics in which Germany lags Japan and the US in high technology.

"With increasing prosperity," he adds, "saturation and complacency prevents profitable exploitation of companies' potential for innovation." He sees this mainly as a communication problem, with the development side having insufficient contact with marketing and manufacturing.

But this is not just true of Germany. In other European countries such as the UK, the lack of innovation is also bemoaned; ideas for new products, processes and services are not easily translated into reality, whether through corporate inertia and ignorance, bureaucracy or lack of capital.

Nor is innovation a smooth process. Examples of bright ideas that have been conceived in one country and been made successful in another – notably in Japan or the US – are legion. The Austrian economist Joseph Schumpeter is often quoted in support of the need for innovation to stimulate economic growth. But he also wrote of "the perennial gale of creative destruction".



German chemicals worker: the race gets tougher

Thus innovation has winners and losers. Not surprisingly in a country with high living standards, Germany wants to hang on to its winners and avoid nurturing losers. But winners can turn into losers. Germany's banks often bail out companies that fall into trouble, but there are fewer mechanisms for bringing along new ventures which could help give the economy a new impetus.

Biotechnology is a prime example. Despite its worldwide prominence in chemicals and pharmaceuticals, Germany is an also-ran in biotechnology. Because of strong opposition to genetic engineering, seen as tampering with nature, 75 per cent of investments by German companies in biotechnology take place abroad. "Sites near well-known universities in the US have an especially magical attraction for German companies," writes economist Mr Jürgen Stehen in an article for the Kiel economics institute.

Germany's genetics law has been changed to remove some obstructions to research and development. Strong regional efforts are also being made to encourage biotechnology. Bavaria is particularly active, with a new programme to promote links between research facilities and fledgling biotech firms and to help with risk finance.

As the world's big chemical and pharmaceutical companies buy in more research from outside, small biotech companies have a promising future. Bavaria hopes to capitalise on this by assisting small businesses in this and other high-tech sectors at an early stage and later reaping the economic benefits.

As Mr Weule's comments show, big German concerns are aware of the need, and difficulty, of maintaining the innovative spirit in a large-scale and often unwieldy organisation. Siemens has begun an "innovation initiative" to speed the implementation of new ideas. "Only continued innovation can secure market shares and create new markets," says Mr Walter Kunerth, a director of the electrical and electronics company.

A hopeful note on Germany's capacity for innovation is sounded by the DIW economics institute in Berlin. German industry is highly specialised and service-minded, with extensive application of new technologies in production, it says in a recent report. True, the share of high-tech products in its manufacturing exports is low compared with its main competitors, with west Germany at 19 per cent against 36 per rent in the US and 34 per cent to Japan. But its high-tech share in value-added output is a more encouraging 21 per cent against 24 per cent in the US and 22 per cent in Japan.

DIW says Germany has successfully established a strong position in the high price segments of its export markets, a reflection of its highly trained workforce and use of technology. But it warned that education and research needed to be given more emphasis. "Deficits in these areas only become apparent much later, but are then more deep-rooted."

MEYER WERFT SHIPBUILDERS: by Michael Lindemann

The yard that built P&O's flagship

How the cradle of the Oriana has succeeded in holding its own for two centuries

Get off the train at Papenburg and you could be forgiven for thinking you had arrived at the end of the world. One other passenger alights from the train heading north and the station has long since closed for the day.

The sleepy town on the river Ems, tucked away in the north-western corner of Germany just 16km from the Dutch border, is an unlikely site for a showdown between British and German industrial prowess.

Yet that is precisely what happened earlier this year when the Meyer Werft, the shipyard which is the region's principal employer, launched the pride of the British passenger cruise industry, the liner Oriana, a £200m ship which Britain could no longer build because there are no shipyards with the necessary resources.

When the Oriana was launched in March the British press was full of innuendos about a German yard which once converted trawlers for Hitler's navy.

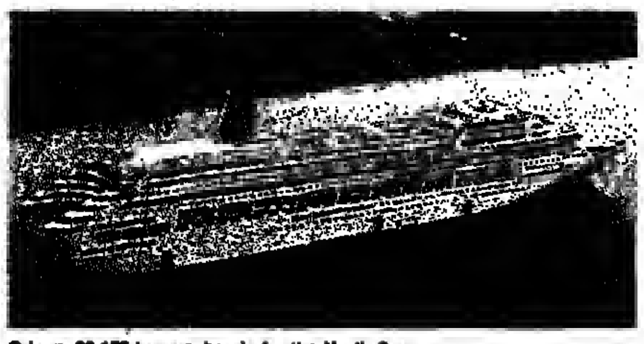
Much more than that, however, the Oriana launch symbolises the remarkable success of this small family-owned shipyard which has for 200 years succeeded in holding its own against fierce international competition.

Constant innovation, an emphasis on high technology and a small and tightly knit management has made the Meyer Werft a legend among the Mittelstand, the thousands of smaller family-owned companies which are the backbone of German industry.

Shipbuilding began in Papenburg in 1614 but Meyer is the only yard left of the dozens which once dotted the river bank. It celebrated its bicentenary earlier this year, an event important enough to lure Chancellor Helmut Kohl to the chilly lowlands of Friesland.

The yard's survival would seem to have something to do with its ability to stay ahead of other shipbuilders. At the end of the last century, Mr Joseph Lambert Meyer, great-grandfather of the present managing director, became the first of the Ems shipmakers to turn from wood to steel, an innovation which his rivals ridiculed.

Then nine years ago the yard once again marked what has since become a landmark shift in the shipbuilding industry by erecting the first covered ship-



Oriana, 69,153 tonnes, heads for the North Sea

yard, a 370m long hall in which even the 69,153 tonne Oriana could be completed.

Meyer's covered yard has seen productivity soar as welders and technicians no longer have to battle the region's dismal weather. The innovation has been so successful that three eastern German shipyards are set to receive them – funded by government money, much to the chagrin of Mr Bernard Meyer, the yard's present managing partner who also owns the company with his father.

Technological innovations aside, the yard has also been very fortunate over the past decade during which it has built 16 passenger ferries for the Indonesian government.

When a second-hand ferry sank in 1981 the Indonesian government decided to construct a safer, purpose-built fleet and Meyer won the contract, helped by its reputation and the close political ties between Germany and Indonesia. The Indonesians are, admits Mr Meyer, "one of our most important clients" and he is hoping he can persuade the Philippines to make a similar investment.

But the Indonesians are beginning to build the ferries themselves and the contracts are not likely to be endless. How then does the Meyer Werft intend to survive against competitors such as Fincantieri, the leading Italian yard which is state-owned, and Chantiers de l'Atlantique, the much larger French yard?

Listing some of the company's shares to raise capital is a move which has repeatedly been considered but just as regularly rejected because of fears that it might destroy the tightly-knit yard where a team of five make all the decisions free of outside influences.

"We have a very individual way," Mr Meyer says, sitting in an office overlooking the yard. "That's the way we became strong."

At the moment the yard has enough work to last it until early 1997.

Most forecasts, ranging from the Association of Western European Shipbuilders to the OECD, are optimistic, Mr Meyer says. Global trade is rising, spurring the demand for container ships, and the world's oil tanker fleet, much of which was built in the early 1970s, needs replacing.

But Mr Meyer fears the shipbuilding boom may be short-lived. The supply of ships is rising dramatically as the Chinese, Russians and Ukrainians come on to the market.

Yards once used to build naval vessels are being converted to civilian purposes the world over and that is bound to make life more difficult for the Papenburg shipbuilders.

Clients can be persuaded to stay with Meyer if the yard's prices are up to 10 per cent above its rivals, Mr Meyer says. Beyond that, they will almost certainly go elsewhere.

So as other German shipyards are studying proposals to merge and shed more jobs, the small family-owned yard in Papenburg is once again looking at how to be more innovative and stay ahead of the pack. At a time when the European shipbuilding industry is shrinking, Mr Meyer and his executives are considering whether to expand abroad.

Meyer was asked to draw up plans for the conversion of the Philadelphia Naval Shipyard, which the authorities want to use to build the high speed container ships travelling at up to 40 knots which are expected to become popular as trans-Atlantic trade picks up.

A decision has not yet been taken but is being considered carefully, Mr Meyer says, partly because of the advantage of producing in dollars, the currency of the shipbuilding industry which this year has again fallen against the D-Mark, in which Meyer must operate.

■ EASTERN GERMANY: by Judy Dempsey

Where socialism is down but not out

Western parties have failed to eliminate the successors of the east's communists

When the Party of Democratic Socialism (PDS), the successor to east Germany's former communist party, got 30 of its candidates elected to the federal parliament in the elections last year, the established parties were surprised aod disappointed.

Surprised, because the PDS did so well. Over 19 per ceot of the east Germao electorate voted for the party and the PDS polled 4.4 per ceot of the vote across the country.

Disappoioted because, in a strange way, west German politicians seemed to believe that if east Germans were becoming more like west Germaos io terms of their life style, in how they saved and travelled, then there was no reasoo why they should not adopt similar similar voting patterns.

In the aftermath of those elections, there was a feeling in Bonn that the east Germans, by voting for the PDS, were being ungrateful for all the financial transfers from west to east Germany which this year will exceed DM207bn.

Even earlier, when the Social Democrats (SPD) and tbe Greens had formed a coalition in the eastern state of Saxony-Anhalt in June 1994, there had been a terrific outcry from Bonn. The stability of that coalition depends on support from the PDS. The newspapers wrote about the return of the communists to east Germany. The polemics recalled the days of the Cold War. Mr Rudolf Scharping, leader of the SPD, was more than reluctant to back such a coalition.

The reactioo in Bonn showed that the west German political parties did not understand their own parties in east Germany. If anything, five years after German reunification, there is a wide gap between the Christian Democrats (CDU) and Social Deoiocrats (SPD) in east Germany and their sister parties in west Germany.

"The point is that we all lived here in east Germany for the past 40 years," said Mr Hans-Jürgeo Beich, head of the CDU in Demmin, a small town in the eastern state of Mecklenburg-Vorpommern. "We understand the problems. The west German parties expect us to think like them. We caonot. And we don't want to. We want our voice to be heard."

Having that voice represented was one of the reasons wby the PDS did well in last year's electioos. It was also helped by the fact that it had, and continues to have, a strong grassroots organisation inherited from the former Socialist Unity, or communist party.

Over 90 per ceot of the PDS's 122,000 membership are former communist party members. Many belong to the older generatioo. Maoy are unemployed. "It is true that for many east Germans, the PDS was a kind of protest party during the last elections," said Mr Andre Brie, the party's leading strategist and campaign manager.

Eastern German parties' 1994 voting shares

Party	% of vote
Christian Democratic Union	38.5
Social Democratic Party	31.5
Party of Democratic Socialism	19.8
Bündnis 90/Greens	4.3
Free Democratic Party	3.5

But studies by the Free University in Berlin show that those who voted for the PDS also included a younger generation who not only sympathise with the party's left-wing policies; they regard the PDS as the party which can represent the interests of east Germans. Indeed, wbat the Christian Social Union is for Bavarians, the PDS might well be a party for east Germans.

However, Mr Brie knows that if the east German economy continues to grow, this could erode the support for the PDS. "We know the problems we face. The older generation will not live forever. And as more people become prosperous, the PDS may not seem relevant for them. That is why we are moving away from being a protest party to becoming a modern left-wing party which could replace the Social Democrats in east Germany," he added. The SPD has the majority in only one eastern state: Brandenburg. Elsewhere, it is in coalitioo with the Christian Democrats (CDU) in the states of Mecklenburg-Vorpommern and Thuringia.

If the PDS does manage to modernise itself – and remain east Germany's third largest political party – it will confirm a trend which has been evolving in the eastern states since 1990: there is little or oo room for liberal Free Democrats (FDP), or in most cases, the Greens. If anything, the contest currently being waged in eastern Germany is which party will hold the left-wing ground, not which party will hold the ceotre or liberal ground, a position the FDP enjoys – for the moment – in west Germany.

The reason why politics has become almost polarised in east Germany stems not from deep-seated ideological reasons. "Policies matter up to a point. But I think personalities play a major role," said Mr Beich. Mr Manfred Stolpe, the SPD state premier of Brandenburg, is just as popular as Mr Kurt Biedenkopf, the CDU state premier of Saxony.

The other reason is there is not yet a middle class, or new eotrepreneurial elite grouped around the Mittelstand, the small and medium-sized enterprises which would automatically lend its support to the FDP. "That is exactly one of our weaknesses in the east," said Mr Wolfgang Oehme, the FDP's spokesman in Berlin. "We don't have a Mittelstand."

More revealing is that FDP officials believe the party's support in the east is so poor because east Germans are not ready to weaken their dependence on the state and are not ready to take initiative. "The east Germans still expect the state to solve their problems and tell them what to do, which is contrary to our philosophy," an FPD spokesman said.

As for the weak support for the Greens, "the east Germans have far more important things to think about than environmental issues and citizens' rights," said Ms Anne Nilges, the party's spokeswoman. In any case, east Germans believe the environment is no longer an issue since the stench from the old chemical works in Saxony-Anhalt has gone as old industrial complexes have been shut. In last year's federal elections, the FDP and the Greens polled an average of 3.6 per cent and 4.3 per cent respectively in eastern Germany.

"It will take time for more stable politics to evolve in eastern Germany," said Mr Wolfgang Gerhardt, head of the FDP. But the PDS, much to the chagrin of the politicians in Bonn, still believes it will be an important factor in the future.

■ JUSTICE: by Judy Dempsey

Struggle of the dispossessed

More than 1.1m claims for property stolen by Nazis or Communists remain unsettled

Mr Alexander Gérard lives in Hamburg and Mr Freddy Kaufmann lives in London.

They have never met, but they have something in common. Both have tried, so far in vain, to get back their property in eastern Germany.

Mr Gérard, in his mid-forties, is descended from Huguenots who bought land in Berlin at the end of the last century. Mr Kaufmann, in his early seventies, is a former Jewish refugee from Nazism.

Gérard has been trying since 1990 to get a back a strip of land in Kleinmachnow, a part of east Berlin through which the Wall once ran. Kaufmann has been trying to reclaim the family factory, house and garden in the Saxon town of Görlitz.

Both have been unsuccessful due to wbat lawyers call a combination of circumstances – red tape, inefficiency and above all a reluctance to return assets to their former owners.

They are among tens of thousands of people wbose efforts to retrieve their family's inheritance bave been foiled by enormous bureaucratic obstacles.

The issue of property rights is probably one of the most contentious consequences of German reunification.

Such claims – there are currently 1.1m outstanding on more than 1.3m property titles – will not be resolved for a least another 10 years, according to Mr Hansjurgen Schäfer, head of the federal office for the settling of property questions.

Under the terms of the reunification treaty, former property owners wbose land bad been confiscated by the Nazis between 1933 and 1945 and by the east German communists between 1949 and 1990 were entitled to full restitution or compensation.

This turned out to be easier in principle than practice. For example, in an apparent effort to speed up investment in east Germany, the government introduced a clause giving investors priority over restitution. This meant that if an investor promised a certain level of investment and jobs, which the former owner could not match, the investor got the property. The former owner was offered compensation.

some Some lawyers argue that this clause was completely unnecessary. "After German reunification, there was so much property available, the government did not bave to introduce their investment priority clause," said one wbo is trying to get back property for his client.

"This clause was an attempt to roll back the government's commitment to restitution. It suits the finance ministry. It cannot afford restitution or compensation. It suits the opposition Social Democrats who never wanted restitution in the first place," he added.

Despite the investment priority clause, there are still large swathes of land in Berlin which investors will not touch. And these will continne to remain undeveloped until the German government finds a compromise with the owners of one particular stretch of land.

This is the route of the former Berlin Wall which snaked along 165 kilometres and through 3,000 former residences. Instead of being returned to its former owners, this land was placed under the Bund, or federal authorities, in 1990. The federal government argues that the eastern border areas of the Wall had been placed under the former east German defence ministry. With the advent of unification, this property was automatically placed under the Bund, where it remains.

Since then, however, Berlin politicians and former owners have campaigned to get their land returned. The government has not budged. And investors are not touching these strips of land, some of the most lucrative in the German capital, as former owners, who are demanding restitution or compensation, battle it out in the courts.

The "Mauergrundstück", or wall property dispute, is not the only bone of contention between former property owners and the government to hold up investment. A ruling last February was supposed to end a dispute about the so-called "Liste 3". This list consists of more than 100 properties in east Berlin, including department stores.

The Soviet authorities, who had administered east Berlin and east Germany between 1945 and 1949, did not expropriate these properties. There was no official announcement of these expropriatioos – common even during those chaotic times – and at a time when the Russians were expropriating vast amounts of industry and land.

Under the terms of the reunification treaty, former owners whose land had been expropriated by the Russians are entitled neither to restitution nor compensation. The land reverts to the Bund.

Yet, in a curious twist of history, a Berlin court last February ruled that even though the expropriation of the "Liste 3" properties had not been registered before the Soviet authorities formally ceded the administration of east Berlin and east Germany to the east German communists on October 7, 1949, it had to be assumed that the Soviet administration had meant to register tbe property as expropriated before that date.

The claimants bad argued that because it had been the communist regime which had officially announced that the property had been expropriated – after October 7, 1949 – they were, under the terms of the unification treaty, entitled to either restitution or compensation.

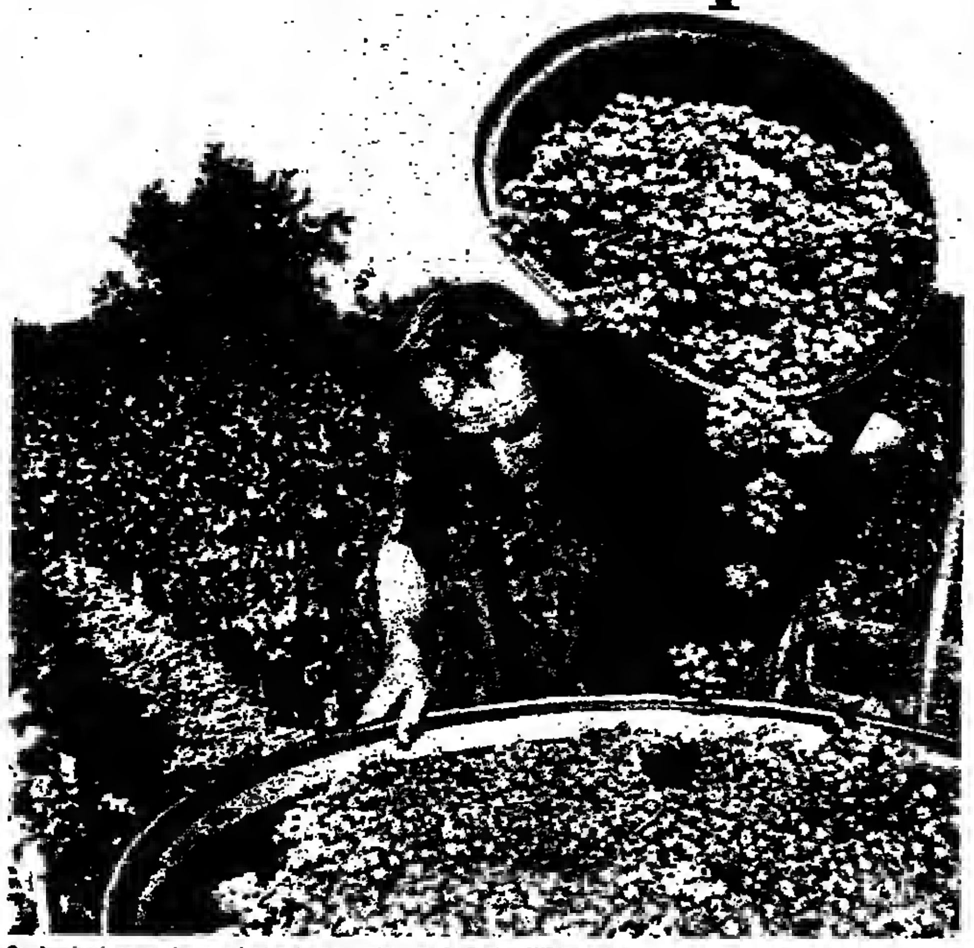
This court ruling was very like what happened to Alexander Gérard's property. The regional Potsdam office for the settlement of property questions recently argued tbat although Mr Gérard's property may appear to fall under the 1949-1990 category, entitling him to restitution of compensation, it does not do so because, since the Wall ran through it, the east German authorities could have intended to place it under tbeir ministry of defence!

"The German authorities today are actually saying they are rectifying what they think was a mistake on the part of the DDR authorities," said Mr Gérard. "It makes me wonder abont the government's commitment to restitution."

■ WINE: by Giles MacDonogh

The sour taste of competition

At home and abroad, German wines are in retreat against rivals from many countries



September's annual grape harvest gets under way in Baden-Württemberg

In the old days they had no problem selling the stuff.

Germans drank German, naturally. And there was a flourishing export market out there, particularly in Britain.

Hock and mosel wines were almost the rule when it came to officers' messes, gentlemen's clubs and senior common rooms.

But in the golden age of German affluence, a German who drinks only German wine has become a slightly suspicious character, and in Britain to be vehemently anti-German is a badge of respectability among the new right. Nor have sales been improved by the undeniable fact that the role of our old fashioned institutions has been whittled away to nothing.

Who drinks German wine today?

Most of it is still consumed in Germany, especially in the "Wine Germany" as opposed to the schnapps and beer drinking regions, where one is as likely to find French, Spanish or Italian wine as a bottle of hock. And there is still an enormous quantity shipped to Britain.

The problem is that this wine is generally assembled from the tiny estates of Rheinhessen and the Pfalz and comes in the form of Liebfraumilch, or something similar. With the D-Mark at its present high, it is virtually dumped. How else can Sainsbury's sell hock at £2.39?

It takes a rare tenacity for a British merchant to want to ship German wines these days. With the present exchange rate and the dwindling market for German quality wines, many have ceased to bother.

After a decade or two of uncertainty the best estates now sell well at home, or have found niche markets in the US, Scandinavia, Japan or Singapore.

On the German market, at least, lacklustre wines can be turned into sparkling *Sekt*, for which Germans appear to have an unquenchable thirst.

The age of foreign travel has certainly altered the German perception of their own wine. Once holidays in southern and south western Europe became the rule, Germans discovered not only bigger wines with more alcohol; they learned to enjoy the combination of wine with food.

Their experience called into question the old *Gemütlichkeit* whereby the wine was brought out over the crumbs of an early evening *Brot*.

The change in German drinking habits caused much hand-wringing at the German Wine Institute in Mainz. Their solution was to promote the idea of German wine taken directly with food. Millions of D-Marks have been sunk into this scheme. It may be too early to say if it has borne fruit in Germany. Similar projects do not appear to have altered our perception of German wine with food.

For a while, German winemakers played along with the scheme. They made wines bone dry as opposed to the traditional semi-sweet style. The most successful of these were the *Spätlesen* and *Auslesen*, which had sufficient alcohol to balance out the high acidity levels. There were fewer takers for the lighter *Kabinetts* which tended to be tart, unbalanced wines when vinified dry, and many growers have now returned to traditional techniques.

Only in the sunnier parts of the Pfalz and Baden are these gutsier styles possible year in year out. It is not for nothing that within Germany, at least, Baden wines have proved the real success story of the past decade.

Another issue which obsesses wine policy makers is the need to simplify the verbosity of the wine label, which confuses German speakers and non-German speakers alike.

One which has received official sanction is the gradual abolition of the *Grosslage*, a large geographical area sold under a pretty, village-sounding name such as Niersteiner Gutes Domtal or Piesporter Michelsberg. To the untutored ear this is indistinguishable from the quality-producing *Einzellage* or slope. Famous examples of these are the Bernkasteler Doctor or the Kiedricher Sandgrub.

The solution is to replace the *Grosslagen* by village names such as Piesporter or Niersteiner. The law was introduced last year in the Upper Mosel, but it looks like being a long time before we begin to see results in the areas with the greatest interest the continuation of this obfuscation.

One project which has failed to achieve any official sanction so far has been to introduce a French-style cru system, whereby individual vineyard sites are designated *Erste Lage* (grand cru) or *Klassifizierte Lage* (premier cru). This would have the advantage of giving the consumer an immediate idea of the quality of the wine while eliminating some of the poorer *Einzellagen* established by earlier wine laws.

The Rheingau has been the first German region to draw up a cru system. The project is currently being considered by the state of Hessen, but for the time being few people feel it will be adopted in the near future.

The EC has created plenty of competition for German wine makers. Very few can match the French and Italian wines which grace the supermarket shelves at DM2 a bottle. In general the larger firms are not successful. Deinhard has only survived by selling *Sekt* despite owning some fabulous vineyard sites in the best locations.

According to Stuart Pigott, a British wine writer who lives in Germany and frequently stirs up the German wine trade by his hard-hitting attacks on those growers who rest on their laurels, only two large firms are currently setting an example to the trade: Juliusspital in Würzburg and Reichsgraf von Kesselstatt in Trier. These combine quantity with a well-merited reputation for quality. Otherwise small estates have come to dominate the quality end of the market.

The future is clearer than it has been for some time. The very best German wines are now appreciated for what they are: the most complex, indeed intellectually challenging wines you are likely to find. This new-found enthusiasm has communicated itself to the monied markets abroad, too.

America, it seems, has accepted the food-and-wine message from Mainz like nowhere else. Only in Britain does the situation continue to be depressing, but then the supermarkets' message that "good wine is cheap wine" simply will not work for Germany.

■ AGRICULTURE: by Michael Lindemann

The Maginot line

State aid for farmers against currency movements is under heavy fire

The editorial in the Frankfurter Allgemeine, one of Germany's leading newspapers, seemed typically reticent. It was headlined simply *Eine Extrawurst* which translates loosely as "something special".

The content itself was less judicious, giving German farmers short shrift for demanding special treatment. "The farmers in hard currency countries are the only group in the European Union which demands and gets state-funded protection from the uncomfortable consequences of currency movements," the paper said. "There must finally be an end to this."

The Frankfurter Allgemeine is not alone in objecting to farmers' demands. Mr Franz Fischler, the Austrian who is responsible for agriculture at the European Commission, recently told a rather dismayed audience in Bonn that the market for agricultural goods had to be further liberalised and that anyone who thought otherwise was thinking in terms of "agricultural Maginot lines".

However, German farmers, like their counterparts elsewhere, are a stubborn lot and show little of sign of giving up in their efforts to have their tax-free threshold raised by a further 2 per cent to make up for the loss of business resulting from the stronger D-Mark.

Chancellor Helmut Kohl recently promised a group of farmers visiting Bonn that he would intervene in Brussels to ensure that they get their compensation so the matter is not likely to disappear

Many farmers are indeed hurting. A large number of Bavaria's 200,000 farmers lost sizeable amounts of beef and milk business in Italy earlier this year because the lira fell in some case by over 30 per cent against the D-Mark.

Elsewhere in Germany, especially in the eastern states, market shares in the pork trade have been lost to the Dutch and the Danes, the agriculture ministry says. Both of these smaller neighbours have more efficient marketing structures which enable them to provider cheaper goods.

When not dealing with angry farmers demanding compensation for currency movements, Mr Jochen Borchert, the agriculture minister, is doing what he can to weld together the agricultural systems in the two halves of Germany. Doing so over the past five years has been problematic but much has been achieved.

There are now approximately 25,000 farms in the five eastern Länder compared with the 5,000 mostly state-owned collectives which existed in 1989. The larger units have been split up into smaller holdings, many of which are now family-run.

Fortunately, unwinding the former state-owned system in the east has meant that farms are larger and therefore, in theory, more efficient than the smaller holdings in the west. While the average western farm covers about 33 hectares, the average eastern farm covers 157 hectares.

> East German live-stock herds have dropped by 65 per cent since 1989

"Above all in the arable sector our east German farms are absolutely competitive," says Mr Constantin Heereman, the head of the German Farmers' Association.

However, while money has been spent on arable farming – which is not capital intensive – animal breeding and more sophisticated forms of agriculture have slumped dramatically.

The size of the cattle, dairy and pig herds in eastern Germany has slumped by 65 per cent since 1989 and the agriculture ministry is doing all it can to recover the breeding capacity, the loss of which has meant more sales for the neighbouring Dutch, Danes and French.

Unresolved property claims and the lack of private capital in the eastern Länder means that government hopes of rekindling the livestock business in the east have so far been disappointed.

More also needs to be done to improve the marketing structures in Germany, the ministry says.

Abattoirs tend to be smaller than those in neighbouring countries. German pig farmers, meanwhile, especially the smallholders, are still inclined to shop around for the best deal and are reluctant to commit themselves to longer-term contracts as their Dutch and Danish neighbours are, leading to higher retail prices because of the resulting uncertainty.

"In Denmark everything is thoroughly taken care of from the piglet to the pork chop," an official in the agriculture ministry said.

The ministry is also supporting efforts to regionalise the sales of agricultural goods in a bid to get German consumers to buy German goods. Agriculture ministry officials admit, with a hint of exasperation, that German consumers are "a bit extreme" when it comes to worries about what is in their food and this has not helped sales.

The row about bovine spongiform encephalopathy – otherwise known as mad cow disease – has hit beef sales in Germany but the farming lobby hopes to win back consumers' confidence by introducing stricter controls which, they say, will prove that a cow has never left a certain region. The same marketing techniques are to be applied to an array of German agricultural goods in the hopes of winning back sales from the Danes and the Dutch.

The problems with the falling lira – and other European currencies which have dropped against the D-Mark – have reinforced calls among German farmers for a single European currency. Only then, they say, is there any chance of creating a market where competition is fair.

If a single currency comes then it is not likely before 1999. Until then, German farmers may have to make do with further falls in income.

هكذا من الأصل

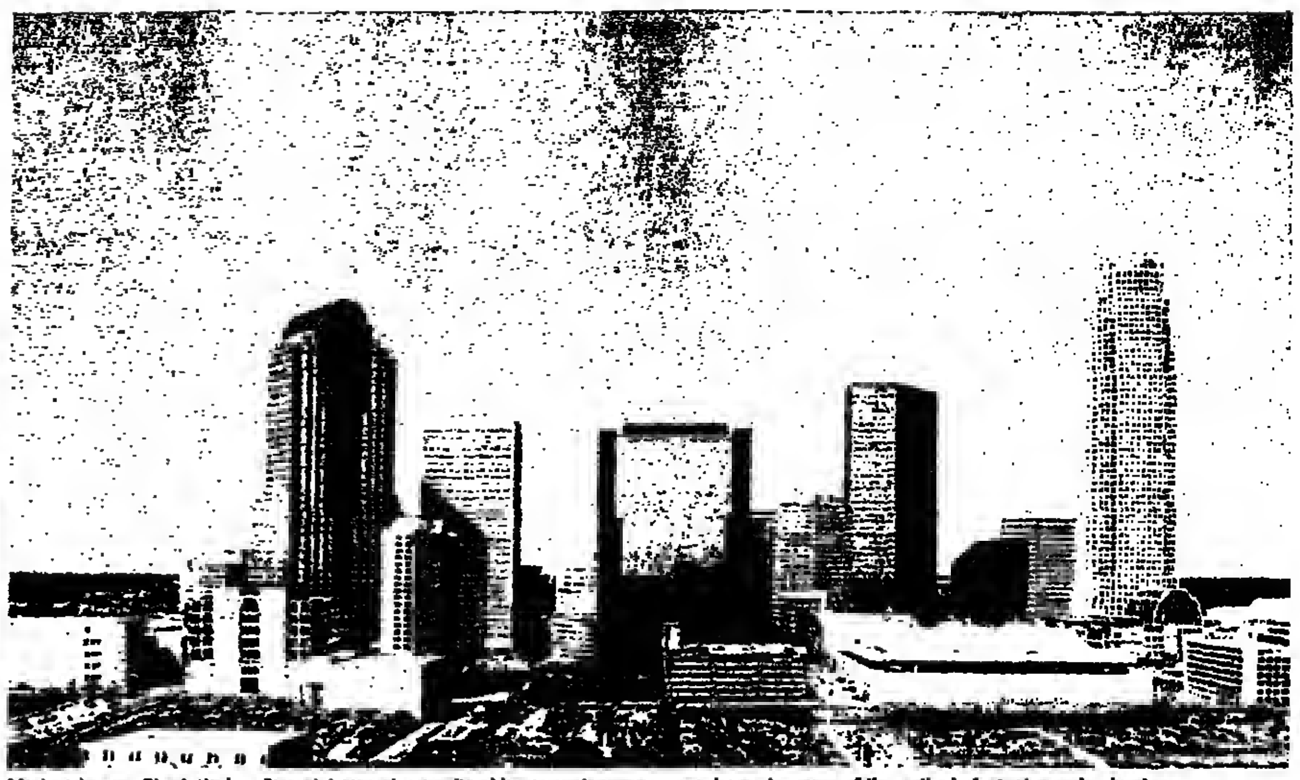
هكذا من الأصل

NORTH CAROLINA

State with many faces

Modern images jostle with those of an older society. Success has brought the risk, however, of a two-speed state developing, says Tony Jackson


University of North Carolina: the state system is among the best in the US


Modern image: Charlotte is a financial powerhouse. Its shiny new skyscrapers are home to some of the nation's fastest-growing banks

The trouble with North Carolina, the natives will tell you, is that its image is out of date. Outsiders still think in terms of the old South: of tobacco fields and textile mills, saw mills and turkey farms. In reality, North Carolina is at the cutting edge of finance, electronics and biotechnology. It is the model of the modern, knowledge-based society.

On closer inspection, this proposition can be stood on its head. North Carolina has done a pretty good job of selling itself in recent years. To the business community, at any rate, the name now conjures up the cities of Raleigh-Durham and Charlotte: the first a high-tech enclave, a magnet for industrial researchers around the world: the second a financial powerhouse, its shiny new skyscrapers home to some of the fastest-growing banks in America.

But the old image still has truth in it. North Carolina is by a long way America's biggest tobacco-growing state, and its biggest producer of turkeys and sweet potatoes. It is also its largest manufacturer of textiles and furniture – industries classically associated with the Third World. Of all the states in the Union, North Carolina has the highest proportion of its workforce employed in manufacturing; and of those jobs, many if not most are in the older industries.

The theme of polarisation can be extended. A quarter of the state's population consists of minorities, predominantly black. Infant mortality is abnormally high.

While the state's university system is among the best in America, its school system is among the worst. Its high-paid jobs are often taken by newcomers, the low-paid jobs by locals. As the price of its success, North Carolina risks becoming a two-speed state.

The problem is to an extent compounded by geography. Like Caesar's Gaul, the state falls into three distinct parts: the central or Piedmont region, the mountains to the west and the farming region running eastwards to the coast.

In commercial terms, the backbone of the Piedmont region is Interstate 85, the highway which runs from Virginia to the north down through Atlanta to the south. Built in the late 1970s, the I-85 had the effect of linking the technological hub of Raleigh-Durham to the financial hub of Charlotte, 140 miles to the south-west.

The I-85 corridor, local economists say, is one of the hottest commercial strips in America. It has proved extraordinarily attractive to foreign manufacturers: by one count, there are 240 Japanese transplants along the corridor alone. In high tech terms, its jewel is Research Triangle Park which has drawn on the local universities to create a remarkable resource for electronics, computing, biosciences and health care.

To the west are the Appalachians: famous for their scenery, sought out by tourists – 9m a year to the Great Smoky Mountains National Park alone – and an increasingly popular resort for rich pensioners in retreat from the summer swelter of Florida. Outside the local capital of Asheville, the region has little to do with the high-tech revolution: the chief employers are the textile and furniture companies, and one of the biggest crops is Christmas trees.

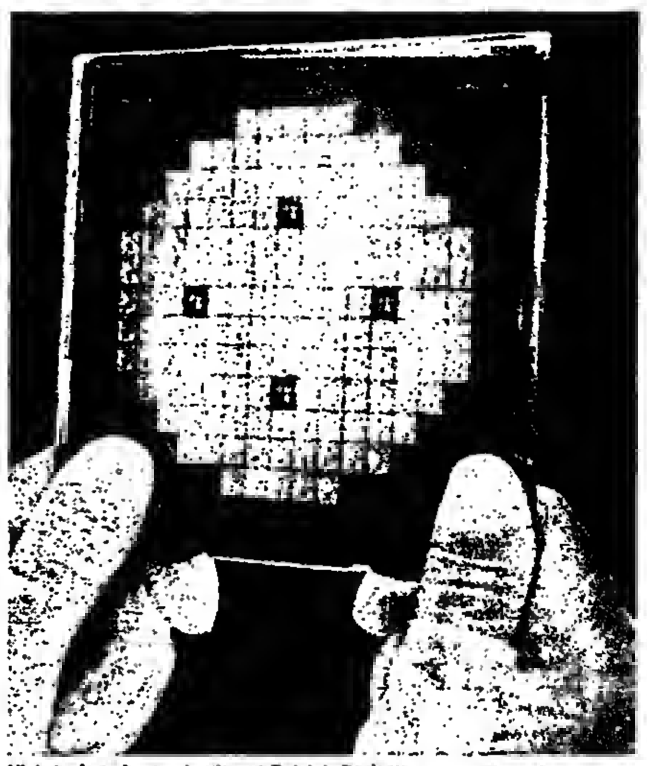

North Carolina's school system, however, is among the worst in America

But it is the coastal plain to the east which shows the old image of North Carolina at its sharpest. This is mostly farming country, with tobacco patches alternating with fields of cotton. It is also, in parts, a land of poverty and trailer homes – although even the most humble trailer is generally set in enviably scenic surroundings.

Where there is manufacturing, it often illustrates a general truth about the poorer parts of the state: that communities tend to rely unduly on single industries, and are correspondingly at risk. This is most obviously true of older industries: but even high-tech industries can prove fallible, as illustrated by the case of the regional centre, Greenville.

For some 25 years, Greenville – not to be confused with the better-known Green ville, South Carolina, on the I-85 – has been home to the sole US manufacturing plant of Wellcome, the UK-based drug company. Earlier this year, Wellcome was taken over by another UK drug company, Glaxo.

As luck would have it, Glaxo's sole US manufacturing plant is also in North Carolina – at Zebulon, 50 miles closer to the two companies' US headquarters in Research Triangle Park. Greenville will therefore be the loser and the large and imposing Wellcome plant, which at its peak employed 1,800, will in five years' time employ only 350.


High-tech wafer production at Raleigh-Durham Picture: Chip Henderson

This may not be as bad as it sounds. According to Ms Wanda Yuhas of the Pitt County Development Commission in Greenville, the area is perfectly capable of making good the job losses over five years. The record seems to bear her out: in the course of the 1980s, employment in Pitt County grew by nearly 14,000, or 32 per cent – compared with a state figure of 22 per cent – and the population rose 20 per cent.

Lately, some of the new jobs have been international: a Japanese manufacturer of electrical components, for example, or the UK's Laird Group, which has two plants in Greenville making keyboards and cables for the personal computers which IBM assembles in Research Triangle Park. But as Ms Yuhas also concedes, much of the growth has been at the expense of the surrounding areas. Greenville is a university town, and draws from the hinterland those who do not feel ready for the cosmopolitan hubbub of Charlotte or Raleigh.

There is an element of paradox here. The 7m population of North Carolina is still mostly scattered in small communities across the state, and some of those communities are clannish and suspicious of change. Many of the elements of that conservatism – the work ethic, the religious observance, the hostility to trade unions – have proved historically important in attracting outside capital and jobs.

If North Carolina is to avoid becoming a two-speed state, it must make these communities part of its success. In doing so, it risks weakening some of the qualities which made that success possible. But the state has one final advantage which shows no sign of going away: its sheer physical attractiveness, or what is known in the jargon as its quality of life. To the visitor, the extreme dispersion of its population may be a touch unnerving: one can drive through a town as big as Raleigh and scarcely notice it, so widely scattered are the buildings and so pervasive the greenery.

But North Carolina, say the locals, is the opposite of the usual tourist destination: it is a great place to live, but – aside from the mountains and the sea – you wouldn't want to visit it. To a remarkable extent, it combines the isolation of the country with the amenities of the town. It enjoys long, mild springs and autumns. And as a long-standing resident – not a native – remarks: "The defining quality of North Carolina is that it's pretty."

■ **The economy** continues to grow, reports **Tony Jackson**

Education is key to future

In part, the state has relied on cheap labour. It must now rely on a skilled workforce: and that means education

A good part of the credit for North Carolina's growth in the past 20 years is claimed by the state government. There is some justice in this. The state can point to its investments in roads and other infrastructure, in universities and technical colleges, and in specifically industrial projects such as Research Triangle Park.

Partly as a result, employment in North Carolina has grown at well above the national average: at 4.3 per cent a year from 1976 to 1988, compared to 3.3 per cent for the US. Manufacturing employment grew by 1.2 per cent a year over the period: in the US it grew by 1.2 per cent in total.

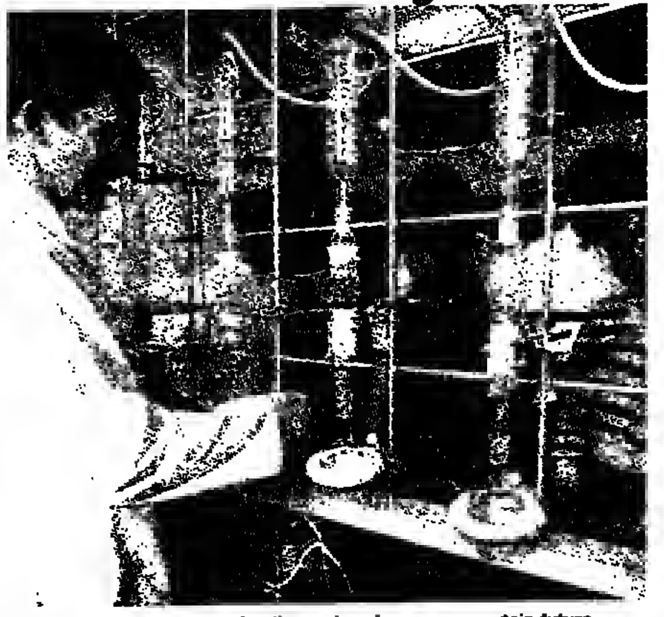
Last year's strategic plan drawn up by the North Carolina Development Board, from which those figures are taken, gives a concise assessment of where the state goes from here. Growth in manufacturing employment is bound to slow, giving place gradually to services. At the same time, manufacturing itself will shift further from old industries to new.

In part, North Carolina's growth has relied on cheap labour. It must now rely on a skilled workforce: and that means education.

It is commonplace in the US to observe that the excellence of the best universities is at odds with the decline in elementary schooling. In North Carolina, the contrast is particularly stark.

Mr Blair Sheppard, associate dean at Fuqua (the business school at Durham's Duke University) says: "The tragedy is that North Carolina has the second- or third-best publicly-funded university system in the country, and the second-worst elementary school system. Money is squeezed out of the schools to fund the universities."

Mr Sheppard, a Canadian, is clear on the reason. "They'll never tell you so, but this state still believes in aristocracy. The sons and daughters of the rich go to private schools, then they go to Chapel Hill (part of the University of North Carolina). Discrepancy of income doesn't bother people here. Creating an educated elite was a stroke of genius in its timing, but it was an awful piece of representative government."



School of Science and Maths: the system faces an uncertain future

Not surprisingly, that analysis is not universally accepted. John Connaughton, economics professor at the University of North Carolina at Charlotte, concedes that the state's SAT (standard achievement test) scores put it very near the bottom of the national ranking.

"The standard line on that," he says, "is that we have so many students actually taking the tests, and that brings down the average. But the bottom line is that we have a large minority population which historically has had a problem in terms of access and attitudes to education. Fighting that tradition takes time, and it'll be better in 20 years. But the elitist analysis is false and anecdotal."

There is also a measure of disagreement about the extent of poverty in North Carolina. The official figures are discouraging: the state comes 37th in the percentage of people living in poverty, 33rd in annual pay and 29th in the percentage of workers with health coverage.

Mr Connaughton does not deny that there is plenty of poverty, both urban and rural. But the official measure, he says, is meaningless. Dating back to the Kennedy administration in the 1960s, it consists of a single figure for the country, adjusted periodically by the consumer price index. "The Southern states typically show up with a high level of poverty, but that's an absolute figure which takes no account of the cost of living. As an economic indicator, it's disreputable."

Meanwhile, the school system faces an uncertain future. According to Anne Scharff, an economic planner at the governor's office, Governor Hunt has identified the improvement of the system as a clear priority. "There is a sense of urgency about education," she says. "The problem comes with the state legislature. We now have a Republican majority in the House, and close to that in the Senate. The building budget has been slashed, and there have been a lot of lay-offs." (The governor, it will be recalled, is a Democrat.)

But this need not be decisive. While it is clear that the state's education system cannot of itself sustain growth at the historic rate, the gap is so far being closed by education. In biotechnology, for example, the state claims to create 2,000 jobs a year, while its universities only turn out 1,000 biotechnologists.

The difference is made up by the migration not just of individuals, but of whole companies. In any case, the problems of schooling and poverty are relative. One good indication of that is the employment rate.

Since the early 1980s, North Carolina has been included among the 11 largest industrial states whose employment is measured by the government on a comparable basis. Ever since, its unemployment has been the lowest of the 11. The latest figure for September was 4.7 per cent, compared to a national figure of 5.6 per cent.

And, after all, the economy continues to grow. Mr Dan Friel of NationsBank in Charlotte calculates that since 1980, the state's total personal income – a figure he prefers to Gross State Product as more up to date – has grown by 65 per cent in nominal terms, compared to a national figure of 42 per cent. And while the state's average annual pay of \$23,000 is \$3,000 below the national figure, the gap, he says, is closing all the time.

Mr Sheppard of Fuqua sums up with an analogy drawn from California. "It's very hard to to predict how this whole thing is going to evolve. It could go the way of Los Angeles, with a huge influx of people and not enough infrastructure, so it becomes a mish-mash of nothing. Or the strength of the individual cities may make it a more extended version of San Francisco." So far the betting seems to be on the latter.

■ **Banking:** North Carolina's indigenous banking industry has never been stronger, says **Richard Waters**

Soaring skyline says it all

A traditionally liberal approach to bank regulation and a clutch of ambitious bankers led to dominance

Charlotte's soaring skyline says it all. The jutting spire speaks of the lofty ambitions of NationsBank; the spreading mass of its neighbour, First Union, projects that bank's less showy but equally massive presence. This is a city which boasts two of the country's six biggest banks, and it has the architecture to match.

The final step of Charlotte's emergence onto the national banking map will come early next year, when First Union completes its acquisition of New Jersey's First Fidelity. The most expensive banking takeover in the US, at \$5.2bn, it marks the latest step in the city's rise as a powerful banking centre.

While many other US states are losing their home-grown banks to acquisitions by out-of-state institutions, North Carolina's indigenous banking industry has never been stronger. Besides the twin giants of Charlotte, the state is also home to Wachovia, a company which ranks among the country's 25 largest banks, with assets of \$43bn.

Wachovia's smaller size belies its impact on the banking markets in the South East: among the best-regarded in its industry, the bank was ranked the most profitable of the US super-regional banks in four out the past five years in a survey by Salomon Brothers (it slipped briefly to seventh in 1991.)

North Carolina's dominance of the South East regional banking industry can be traced directly to two things: a traditionally liberal approach to bank regulation and a clutch of ambitious bankers.

The state was earlier than most in the region to permit banks to operate state-wide through branch systems. Allowed to grow their deposit bases through acquisition, local banks acquired the size and financial muscle to mount big acquisitions elsewhere in the South East when state barriers to takeovers started to tumble after 1985.

State-wide banking also gave North Carolina's biggest banks experience in building and running geographically diverse retail operations. The bankers who built the state's biggest banks "learnt how to merge systems and assimilate people and cultures," says Mr Joel Smith, president of NationsBank's operations in the Carolinas.

The emergence of Charlotte's banks also owes much to two ambitious bank chairmen: Mr Hugh McColl, chairman of NationsBank, and Mr Edward Crutchfield, his counterpart at First Union. Between them, the two have been the most aggressive acquirers of banks in the US over the past decade (First Union alone lays claim to some 65 acquisitions, a number that is almost certainly unmatched by any other bank.)

As Mr Smith at NationsBank says, the two bank leaders "saw that consolidation was what the banking industry needed to do to be competitive," and acted before most others to get there.

While Mr McColl and Mr Crutchfield were out building giant regional banking groups, they could draw comfort from the knowledge that their local markets were immune from attack from rivals based in New York or elsewhere in the country. A regional compact between states in the South East, introduced in the mid-1980s and finally laid to rest earlier this year, opened up bank takeovers across state lines only for banks already based in the region.

This compact "allowed banks in the South East to grow without worrying about the money centre banks or other regionals," says Mr John Georgius, president of First Union. It enabled a NationsBank or a First Union to mount acquisitions without having to compete with a Chemical Banking or a BankAmerica – or fear takeover itself.

The passage last year of federal legislation to allow interstate banking and branching has finally spelt the death of the compact. It has also contributed to the acceleration of bank takeovers and acquisitions in the South East, as it has elsewhere in the country.

Last year, when BB&T Financial and Southern National – two North Carolina-based banks – merged, the changing legislative environment was uppermost in their minds: with big banking groups from elsewhere in the country now free to move into the South East, they needed to get bigger to compete, the two said.

With assets of \$20bn, the merged bank (known as Southern National) now stands close to NationsBank, First Union and Wachovia in its share of the North Carolina banking market.

A further factor has helped to foster the growth of North Carolina's banking industry. Says Mr Georgius of First Union: "We have been supported by a wonderful economy."

North Carolina – and the South East generally – was spared the sort of economic problems that laid waste the Texas banking system in the mid-1980s, or the various property collapses and industrial traumas that have visited themselves upon the banks of New England, California and the Mid-West in recent years.

Bankers in the region expect this state of affairs to continue. "The South East will do better than the rest of the US over the next 10 years," says Mr Bud Baker, chief executive of Wachovia.

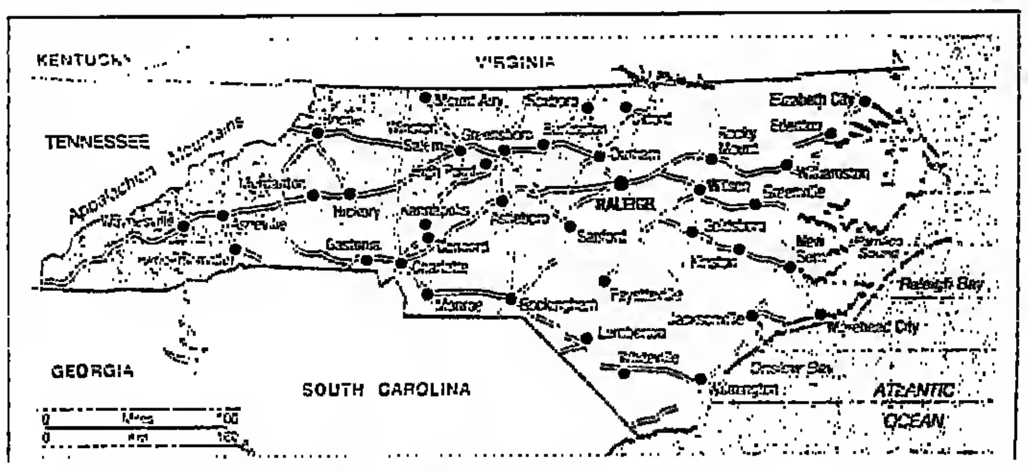
In the meantime, the strength of the regional economy – and the financial health of the banks themselves – is supporting what is likely to be remembered as one of the great periods of bank expansion. Not content with buying other banks, both NationsBank and First Union are busy expanding into a wide range of new products and markets, from mortgage banking, credit cards and mutual funds for retail customers to derivatives trading, syndicated lending and bond underwriting for corporations.

NationsBank and First Union each say, for example, that they have hired about 100 investment bankers in the past 18 months or so to staff their growing capital markets businesses.

The rapid growth of NationsBank and First Union has left Wachovia with a dilemma. On one hand, says Mr Baker, "we have never focused on size as part of our corporate culture, and we're not going to do it now."

On the other, he concedes that "there is some truth" in the argument that the higher technology costs associated with developing new delivery systems – from telephone banking centres to a presence on the Internet – make scale economies an important consideration.

The US banking industry is now abuzz with talk of the next possible big bank merger: Wachovia and SunTrust, another well-regarded bank headquartered in Atlanta. Together, the two would create a new regional giant, ranking among the country's 12 biggest banks.



■ **Tobacco:** The production system is antiquated and faintly absurd, says **Tony Jackson**

Culture has $1bn roots

Even though the industry remains in the moral doldrums, it is thriving commercially

North Carolina has a curiously ambivalent attitude towards tobacco. In the booming high-tech parts of the state it is something of an embarrassment: a dwindling and unsavoury business, symbolic of the bad old days. "If tobacco went away," says a Charlotte economist, "it wouldn't cost the state a year's growth."

Among the tobacco fields 100-odd miles east from Charlotte, the picture is rather different. The visitor to the local store – say, the Piggly Wiggly supermarket in Grantsboro – is confronted with the product in bewildering variety: cigarettes, naturally, and pipe and rolling tobacco: but also dozens of brands of snuff – Society, Honey Bee, Railroad Mills Sweet Scotch Snuff – and dozens more of chewing tobacco: Red Juice, Days Work and Browns Mule.

In this poorer region of the state, the tobacco culture still has deep roots. In relative terms, the crop may have lost ground to poultry, hogs and cotton. But it is still worth more than $1bn a year at auction. This makes North Carolina much the biggest tobacco producing state in the US, with around 40 per cent of the nation's output.

The land which produces it – mostly in small lots – could not yield the same wealth from any other crop. As Mr Bob Jenkins, head of the North Carolina Farm Bureau Federation, puts it: "If you went to a fruit crop like strawberries, you'd flood the market. If you grew corn, it wouldn't be worth as much."

The system of tobacco production, in North Carolina as in the US overall, is antiquated and faintly absurd. In the view of some local economists, it is also the enemy of efficiency, and perpetuates poverty in the eastern part of tha state.

Under rules set up by the federal government in 1938, at the US tobacco farmers' request, tobacco growing is subject to a mesh of regulations governing price, quotas, acreage and yields. The right to grow tobacco is granted through a system of allotment, or entitlement. The owner of the entitlement may or may not produce tobacco; like the owner of a New York taxi medallion, he or she may also rent the entitlement to someone else.

The scale of operations ranges from the small – say 250 acres – to the very small, at around five acres. The top end, as Mr Jenkins points out, represents professional farming, with perhaps several million dollars invested in handling equipment and curing barns. It is a far cry from the large-scale industrial farming of the Mid-West.

But that is largely the point. Tobacco farming is, at least in part, a form of outdoor relief. President Clinton obliquely admitted as much in launching his campaign against underage smoking in August. Surely, be was asked, federal support of tobacco growing was inconsistent with the aim of curbing smoking? Perhaps, he said, but maintaining a system of small, family-based production was preferable to factory farming.

Behind all this lies an irony. The general assumption is that tobacco is in picturesque decline. In fact, the opposite is true. In North Carolina and in the US overall, tobacco is making a quiet comeback.

This year, the government raised the national quota for flue-cured tobacco by 16 per cent, to 1.6bn lb. Being almost wholly a producer of flue-cured (as opposed to hurley) tobacco, North Carolina had its output raised in line with the national total.

The reason is made plain by Philip Morris, the world's biggest non-goveroment owned cigarette maker, wbose plant at Concord, North Carolina (just outside Charlotte) turns out about a third of its US production. Established as recently as 1983, the plant now has 1,800 employees. Plans are in hand to expand output by some 30 per cent, raising employment to 2,400.

This is partly because US cigarette consumption has levelled out after years of decline. This results largely from an epidemic of teenage smoking, which Mr Clinton's campaign is designed to address. At the same time, Philip Morris has been gaining market share, a fact underlined by this month's cuts in jobs (though not output) by its chief rival, R.J. Reynolds, at its North Carolina plant at Winston-Salem.

> The world industry has been transformed

More important, the world tobacco industry has been transformed in the 1990s by the opening up of markets previously closed to importers. Potentially the biggest of these is China, which accounts for around a third of world cigarette consumption. More immediataly, westero producers have enjoyed an upsurge in exports and production in central and eastern Europe, particularly the former Soviet Union.

As a rule of thumb, around 40 per cent of North Carolina's tobacco output is exported as leaf; last year, for instance, Japan bought $337m worth of North Carolina tobacco, making it the state's biggest export to Japan. Of the 60 per cent consumed domestically, almost half goes to Philip Morris's Concord plant, and the plant exports some 30 per cent of its output. Add the state's other cigarette producers – in particular R.J. Reynolds, with its big plant in Winston-Salem – and it is plain that the future of tobacco production depends chiefly on markets outside the US.

But if tobacco is thriving commercially, it remains in the moral doldrums, particularly in the US. This is something the farming community continues to shrug off.

Mr Jenkins, as head of an organisation funded by North Carolina farmers, migbt be expected to be a tobacco advocate, and so be is. The $1bn revenue raised by the crop, be says, is multiplied at least 20-fold on the way up the chain to the manufacturer's end price. "It's a legally grown and manufactured product. There's been no hesitation at the county, state or federal level about taxing it." As if to underline his point, he lights a cigarette. "If you do anything to excess, it could be harmful. You could say the same about people who grow corn and barley for distilled products. My physician smokes. I'd sure rather be treated by him under the influence of nicotine than under the influence of alcohol."

■ **The textiles industry** still takes pride of place, reports **Tony Jackson**

Politically sensitive product

The first big alternative industry did not arrive until 1983, when the tobacco giant Philip Morris established its plant in Concord

Among the old and supposedly endangered industries still embedded in the North Carolina economy, textiles take pride of place. Of the 1.7m people employed in US textiles today, some 300,000 work in North Carolina. That makes it the biggest textile-producing state in the Union, with almost twice the workforce of its nearest competitor, California.

The bald statistics, however, give little flavour of the status the industry once enjoyed. For that, you must talk to the locals: for example, to Mr George Liles, the mayor of Concord, a town in the heart of the old textiles region.

The first mill in Concord, Mr Liles relates, was put np in 1870 by J W Cannon, for the production of towels. The business prospered, and Cannon shifted operations to a new site a few miles to the north-east, which he called Kannapolis – dubious Greek for Loom City. Witb a population of 33,000, Kannapolis is today slightly larger than Concord itself.

Under Cannon and his sons, Kannapolis was a mill town with a vengeance. "It was very pateroalistic," Mr Liles says. "The mill provided the store, the fire and police department, the schools and the houses for the workers. It stayed that way until Charlie Cannon died 24 years ago."

Mr Liles, a retired surgeon, recalls treating an old woman who told him she had started working in the mill at the age of six. "It was a family thing, which was passed on. There were no retirement benefits or social security. When you retired you would still live in a mill house, whether your own or your children's."

There were also precious few other employers to choose from. Like other mill owners, Mr Cannon made sure rival industries were excinded from the area. The effect on the economy was predictably stifling.

"Around 35 years ago," Mr Liles recalla, "a real estate agent told me 'buy up all the land you can around bere, because the day Charlie Cannon dies, it'll take off.' And so it did."

The first big alternative industry did not arrive until 1983, when the tobacco giant Philip Morris established its plant in Concord (in the face of some diehard local opposition). Three years later, Cannon Mills was taken over by another North Carolina textile company, Fieldcrest, and its beadquarters was moved to the town of Eden near the Virginia border. Today, Fieldcrest Cannon remains a substantial company with a market value of about $200m.

Opinions vary on where the textile industry goes from here. Dr Robert Barnhardt, head of the North Carolina College of Textiles in Raleigh, points out that it depends very mnch on what part of the process you are talking about. The amount of fibre processed in the US rose by almost half between 1980 and 1994. However, the value of US-produced apparel halved.

The trouble is that stitching together clothing is inherently labour-intensive – which gives a huge advantage to the low-wage developing countries of Asia. All kinds of efforts have been made to overcome this, such as the development of body scanners to measure the customer precisely for a suit, and of lasers to cut out the cloth.

"The trouble comes," says Dr Barnhardt, "with joining the 60 or 70 pieces of the suit together. The industry has worked for a long time on trying to automate that, but it gets very complicated. You come out with very expensive machines which can automate some simple functions. When you analysa the raturn on investment, the sums aren't there."

Historically, this has proved particularly damaging to the US industry. Textiles are a politically sensitive prodnct, subject to tariffs and quotas. Asian clothing producers are relnctant to use American cloth, simply because of uncertainty of supply.

The combination of investment and technology leads some to hope that textiles will survive

US textile manufacturers, previously advocates of quotas against foreign apparel, have thus become enthusiastic advocates of the North American Free Trade Agreement. Now that the trade barriers are down with Mexico, the theory is that Mexican workers will sopply the US with clothing cut from US cloth.

In any case, say defenders of the textile industry, apparel is only a third of the market. The rest is equally split between home furnishings and industrial textiles – and in both, the US and North Carolina can compete.

Weaving and spinning, Dr Barnhardt says, are modern capital-intensive industries. The technology is available anywhere; indeed, much of it comes from Germany and Switzerland. America's strength lies in the availability of capital and in cheap energy.

Thus, for example, North Carolina can compete in bome furnishings. Fieldcrest Cannon makes a decent living – and more than $1bn of revenues – turning out sheets, towels, pillow cases and blankets – all requiring little stitching, and capable of automation.

Conceivably, the state might have another advantage. For a variety of reasons, US consumers are turning increasingly to clothing made wholly of cotton.

Historically, North Carolina was not a cotton state; indeed, wben the textile industry moved aouth from New England after the Civil War, it concentrated in North Carolina precisely because the state had a plentiful supply of industrial rather than agricultural workers.

Now, bowever, cotton-growing is on the increase. This is partly becanse of scientific advances in producing cotton strains resistant to the boll weevil. And in Research Triangle Park, biotechnologists are working on genetically-engineered strains of cotton whicb will grow not white, but green or yellow.

The combination of investment and technology leads some to hope that textiles will survive – in terms of ontput, if not employment.

Dr John Connaughton, an economist at the University of North Carolina at Charlotte, says: "What's left of textiles in this state is probably as rooted and solid as any industry we have."

PROFILE **Research Triangle Park**

The hype is mostly justified

North Carolina's Research Triangle Park is the subject of a vast amount of promotional hoopla. It is, we are told, the biggest and most successful research park of its kind in the world. It is the foundation of the state's success in high technology.

It is the main reason why Fortune magazine ranked nearby Raleigh-Durham as the best place to do business in America.

Oddly enough, the hype is mostly true. The park may have had its share of luck over the years. Nevertheless, it remains an unusually successful example of rational industrial planning, aided and abetted by government.

It did not start that way. The original idea came from an imaginative local property developer who attempted in the late 1950s to create a local version of Boston's high-tech Route 128.

The reasoning was sound enough. Massachusetts' success was founded on its universities, such as Harvard and MIT. North Carolina had a trio of more humble if still respectable universities in Raleigh, Durham and Chapel Hill.

Why not set up an industrial park in the midst of them to exploit their resources?

Perhaps unsurprisingly, the idea proved to be ahead of its time. In 1959, the project had to be rescued under the auspices of the local banks, the state government and the universities, and set up as a foundation.

By now, the reasoning went far beyond property speculation. The trio of universities were turning out technical and scientific graduates in large numbers, while local industry consisted chiefly of textiles and furniture.

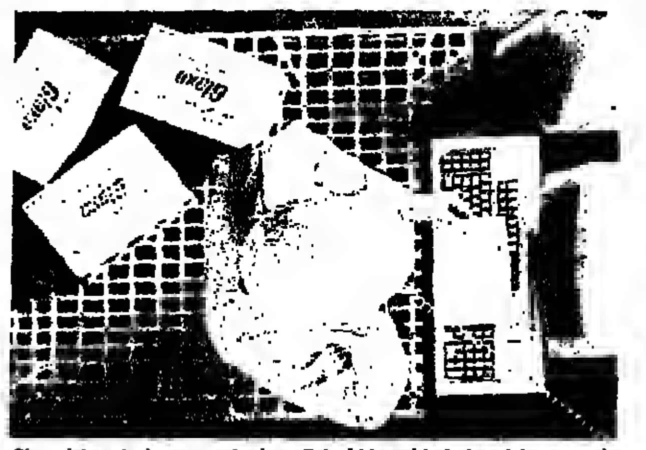
The result was a steady emigration of graduates from the state. The park was devised to reverse that process.

Some 35 years on, the park is home to a long list of blue chip industrial companies: IBM, Glaxo Wellcome, Northern Telecom, Rhone Poulenc, Ciba Geigy, Matsushita, Ericsson, DuPont and so forth. It employs 35,000 workers, of whom about 500 have adjunct professorships at the universities.

At the same time, about 2,500 of the universities' teaching staff have consulting links with the companies.

The link between the park and the universities has proved a virtuous circle. Mr Jim Roberson, head of the Research Triangle Foundation, says: "When the park started, the universities were much smaller. They were good schools, but the park has enabled them to attract better faculty and good students."

At the same time, the state has made heavy investments in scientific research and development – specifically, in the micro-electronic and computing venture NCMC, and in the North Carolina Biotechnology Centre.



Glaxo laboratories: one of a long list of blue chip industrial companies

The list of activities in the park is correspondingly wide.

In communications, for example – still the park's biggest area of activity – Northern Telecom of Canada researches, designs and manufactures telephone switchgear.

Ericsson of Sweden has its world centre for research on mobile communications. IBM develops and manufactures personal computers.

In biotechnology, the park is home to plant molecular research for Ciba-Geigy and research in agricultural biotechnology for Rhone-Poulenc and BASF (true to North Carolina's origins, its biotechnology has a distinct agricultural bias.) Glaxo Wellcome, the world's biggest drug company, has its US headquarters and the whole of its US research effort within the park. It also uses MCNC as its world centre for supercomputing.

Glaxo Wellcome, as it happens, presents a slightly delicate issue. Since Glaxo acquired Wellcome earlier this year, it has faced the problem of what to do with an imposing but duplicate set of headquarters and research facilities, only a mile or so apart. The question of manufacturing plants elsewhere in the state has been addressed (Wellcome's will largely be axed), but the larger question of headquarters and research and development seems unresolved.

However, research staff who lose their jobs could prove luckier than most. Dr Charles Hamner, president of the Biotechnology Centre, says the biotechnology industry in North Carolina is creating 2,000 jobs a year at present, but filling only 1,000 of them from local universities. And as Alan Blatecky of MCNC remarks, the park is beginning to produce its share of venture capital start-ups. "If Glaxo Wellcome lays folks off, they'll stay in the area and start new businesses."

Dr Hamner is a good example of the blend of science and commerce which the park aims to represent. Some 18 months ago, he made strenuous efforts to attract a new manufacturing plant being set up by Genzyme, the biotechnology company based in Cambridge, Massachusetts. As Genzyme itself concedes, it was only persuaded to stay where it was by a last-minute intervention by Governor Weld of Massachusetts.

"We're going to get Genzyme one day," Dr Hamner says. Meanwhile, he has succeeded in persuading another Cambridge-based biotechnology company, Biogen, to shift its manufacturing to the park. Other successes include luring the US headquarters of Novo-Nordisk, the Danish insulin producer, from Connecticut.

If you attract a $100m plant such as Biogen's, he says, that creates 300-400 jobs. An HQ such as Novo's will only bring 200. "But in biotechnology, every time you get a new product you build a new plant. My strategy is to get them to build four or five plants, and that's easier if you've got the headquarters."

In Europe, he says, "we constantly visit Schering, Bayer, Roche and Sandoz. We don't miss many. Sandoz has bought 250 acres in Raleigh, and we don't think they'll leave it idle."

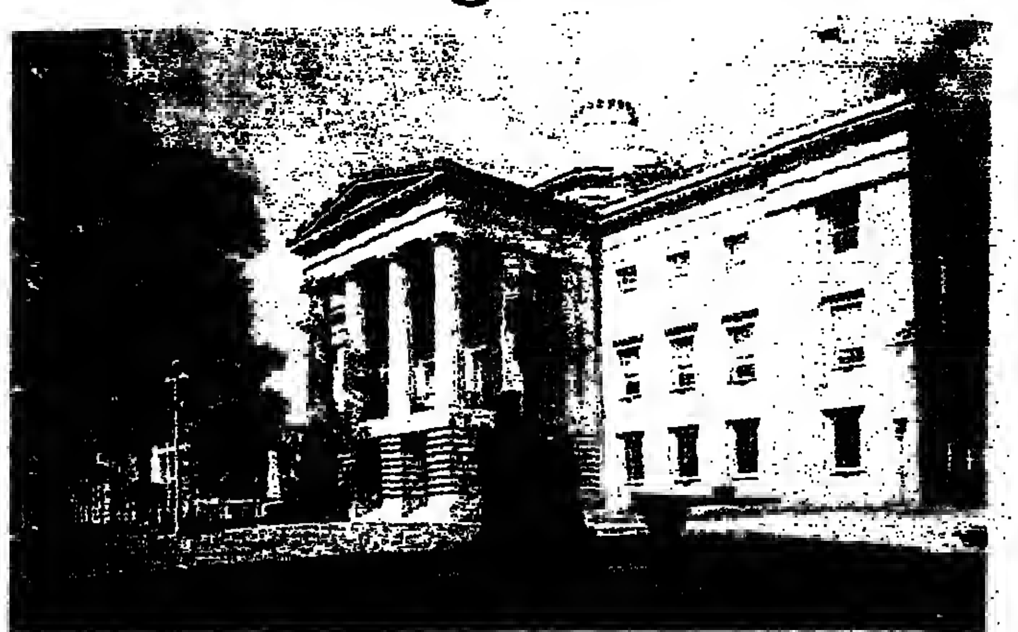
North Carolina, he concedes, still ranks third among US states in biotechnology – a long way behind California, a fair way behind Massachusetts and only slightly ahead of New Jersey and Maryland. "But we're Johnny-come-lately. We'll challenge Massachusetts in the next five years for the number one position on the east coast. And bear in mind that while the average factory job in North Carolina pays $12,000-$15,000, the average biotechnology job pays $20,000-$22,000."

Tony Jackson

■ **Politics:** The 1966 elections will be a test for the Democratic party, reports **Nancy Dunne**

A question of alignment

Last year the Democrats lost control of the state house and retained only a slim hold on the state Senate



The State Capitol Building in Raleigh: North Carolina was once a member in good standing of the 'Solid South'

Four steep floors up in the tower of Duke University's imposing library, virtually hidden behind stacks of supplies, is the office of Mr David Price, political science professor. Until last November's political upheaval in North Carolina, Mr Price was more comfortably situated in Washington as congressman for North Carolina's fourth district.

White-haired, genial, handsome, he seems the very picture of the kind of moderate Democrat which the fourth district would send to Washington. Yet he was defeated last year when voters, seeking change in Washington, threw out most of the Democratic incumbents.

North Carolina was once a member in good standing of the "Solid South" which elected only Democrats once whites regained political power after the US Civil War. Like the rest of the South, it has edged inexorably towards the Republican party, although it still has a number of "yella dog" Democrats – those who say they would rather vote for a yellow dog than a Republican.

In the Republican sweep last year, the 12-member congressional delegation went from eight Democrats and four Republicans to eight Republicans and four Democrats. The Democrats lost control of the state house and retained only a slim hold on the state Senate.

Since then, the debate among the state's political establishment is whether the election signalled a permanent re-alignment, producing a Republican "solid South," or whether it represented a volatile de-alignment from any political party.

Mr Price's coming attempt to regain his seat in the 1996 elections should settle that question. His district is traditionally progressive and diverse, encompassing both high technology centres and agriculture; Raleigh, (the state capital), suburbs and small towns and two leading universities.

"Dave Price is the test case of whether the Democratic party can be successful in North Carolina," said Mr Chip Roth, a spokesman for the local Teamsters union. The union, determined to help Democrats recapture control of Congress, is prepared to pour resources into Mr Price's campaign and hopes to enroll the district's 770 Teamsters in the cause.

With a presidential election and the governor and senator both running for re-election, Mr Price expects a high turnout and less of the kind of straight ticket protest voting that produced the Republican victory.

"I'm not saying the Republican tide has played out. I don't think it has," said Mr Price. "But the far right is not going to be the only one that's mobilised next year."

Even when the state was dominated by Democrats, its politics were never predictable. It has a streak of populism among the more impoverished mountain communities as well as conservative democrats and right-wing Republicans.

Mr Jim Hunt, the current governor, serving his third term and the likely winner again next year, is a moderate who made his priorities education, economic development and crime control. The state is famous for its fine universities, but it is ranked among the lowest 15 states for per capita spending on its primary and secondary schools.

The new state house Republicans also promised to reform the education system. This meant slashing the education budget, giving local school boards more authority, and introducing a gun safety programme and "character education" (emphasising sexual abstinence.)

Mr Ran Coble, executive director of the state's Centre for Public Policy Research, says that throughout its history, the state has always been willing to send colourful characters and demagogues to Washington and keep its moderates at home in the governor's office.

In keeping with that tradition, the current senators are Jesse Helms, whose reign as chairman of the Senate Foreign Relations Committee is playing havoc with President Bill Clinton's foreign policy, and Lauch Faircloth, another unrelenting Clinton critic.

Senator Helms will run for a fifth six-year term next year. He will be 75 but the age factor can be meaningless considering that South Carolina last year re-elected for a sixth term an enfeebled Senator Strom Thurmond at the age of 92.

Republicans and Democrats talk with awe of Senator Helm's political and fund-raising ecumen – and his willingness to pour millions of dollars into negative television advertising. For two decades he has entertained the home folks with tirades against communism, liberalism, big government, abortion and homosexuality. His next campaign can be expected to feature the three Gs, said Mr Roth: Guns, God and against Gays.

Two Democrats will compete in the state's primary next May for the opportunity to face the senator. Mr Harvey Gantt, a black former mayor of Charlotte, lost to Senator Helms in 1990.

Mr Charlie Sanders, former chief executive officer of Glaxo, the pharmaceutical company, is a political novice, but he is given a better chance of unseating Senator Helms because he cannot be accused of being black, a communist, a liberal or too favourable to homosexuals.

Mr Sanders, a doctor, says he can address authoritatively the issue that concerns that state's growing number of pensioners – Medicare, the US programme for the elderly.